PITMAN'S
BOOK-KEEPING SIMPLIFIED

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Book-keeping Simplified

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Pitman's Book-keeping Simplified

A Guide to the Principles and Practice of Double Entry Book-keeping, with Numerous Exercises and Specimen Examination Papers of the Principal Examining Bodies

Chapters on Reserves, and the Formation of Joint Stock Companies

By

W. O. Buxton, A.C.A. (Hons.)

FIRST IN ORDER OF MERIT, INTERMEDIATE AND FINAL EXAMINATIONS OF THE INSTITUTE OF CHARTERED ACCOUNTANTS

New, Revised, and Enlarged Edition

LONDON
SIR ISAAC PITMAN & SONS, LTD., 1 AMEN CORNER, E.C.
BATH AND NEW YORK

Printed by Sir Isaac Pitman
& Sons, Ltd., London, Bath
and New York

PREFACE

THE object of this book is to give the Student of Book-keeping a knowledge of the subject sufficient to enable him to open, keep, and close any ordinary set of books in a commercial house, and to prepare him for the examinations of the principal examining authorities of the country.

Since "Book-keeping Simplified" was first issued, many years ago, the Publishers have received numerous congratulatory letters from successful students who have used the work as their only text-book, and they have also had much gratifying testimony from teachers who have adopted the book in their classes and for private students. It is with the utmost confidence, therefore, that the Publishers issue this new, thoroughly revised, and enlarged edition, feeling assured that it will enhance the reputation which the volume has already gained as a book whose name exactly expresses its purpose, and that those who use it will be as successful as their predecessors in the use of the work.

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Book-keeping Simplified.

CHAPTER I.

INTRODUCTORY.

BOOK-KEEPING is the art of keeping a clear and correct account of one's pecuniary affairs. It enables a business man to ascertain, at any time, the true condition of his business; shows him the exact amount of his income; how much he has gained or lost, and how such gain or loss has arisen. It prevents him from inadvertently exceeding his means; it regulates the amount of his purchases and sales; and it enables him to calculate to a nicety whether his expenses are in proportion to his profits.

Various methods may be resorted to for obtaining these results; but all such methods will be based upon the same principles, an explanation of which will be set forth in the following pages. Such principles are the foundation of Double Entry book-keeping, the only system which ensures a complete and accurate account of one's business affairs.

"Double Entry" is so called because the record of every business transaction involves *two* entries, one relating to the *giver* (who is always called the *Creditor*), the other to the *receiver* (who is always called the *Debtor*); the amount of each being, of course, identical. Thus, if I sell goods to John Brown, John Brown will be *debited* because he *receives* the goods; and I shall be *credited*, because I *give* the goods; or rather, as I am represented by what I give, the account in my Ledger called "Goods" will be credited. Put technically in book-keeping form, John Brown will be Dr. to Goods, and Goods will be Cr. by John Brown. If John Brown pays me Cash, I shall be *debited*; that is, as I am represented by what I *receive*, namely Cash, my account for "Cash" will be debited, and John Brown will be credited because he *gives*.

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In other words, Cash will be Dr. to John Brown, and John Brown will be Cr. by Cash. Such entries as these would be made in a book called the Ledger, the most important book in a business house, and one which is absolutely essential for a proper system of accounts.

The Ledger to which we have alluded is in reality a summary of a number of other books, known as subsidiary books, or books of original entry. The exact nature of these books is determined by the character of the business concerned. Those most commonly in use are the Purchases Book, for recording purchases on credit ; the Sales Book, for recording sales on credit ; Returns Books for keeping note of goods returned to sellers or by purchasers ; Bills Books for entering particulars of bills of exchange accepted or received ; and the Journal, in which entries are made which do not find a place in any of the other books named.

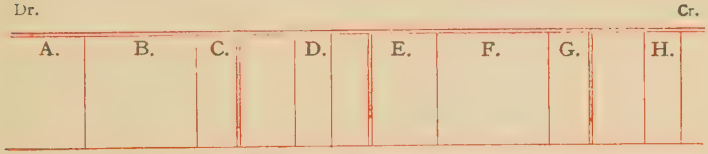
In addition to these must be mentioned the Cash Book, in which all receipts and payments of money are entered. While this is a book of original entry, it also partakes of the nature of the Ledger, being in fact the Ledger account for Cash, kept for convenience in a separate book, it being necessary that entries of cash transactions should be made at the time they occur.

All these books will be fully explained later on. Other books used in various trades and businesses will be found to be either variations of, or subsidiary to, those named above.

CHAPTER II.

THE LEDGER.

We have already described this as the most important of all the books. It gathers into itself in a brief form the particulars entered in detail in the other books, all of which are subordinate to it, and it is in the Ledger that the principle of Double Entry is fully carried out. This being so, it is of the utmost importance that the Ledger should be fully understood by the student of book-keeping at the outset of his studies. Each page of a Ledger is ruled as shown below.



The left-hand side of the page is called the *debit* side and the right-hand the *credit* side. The columns, which we have marked A., B., C., etc., are used as follows :—

Debit Side.

"A." for the date of the entry.

"B." for the particulars, generally only the name of the account to be credited.

"C." for the number of the page of the subsidiary book from which the entry is taken.

"D." the three money columns for the amount of the transaction.

Credit Side.

E., G. and H. are used in the same way as A., C. and D. F. is for the name of the account which has been, or is to be, debited.

Each page, or folio, of the Ledger is headed with the name of the account of which it is to receive the record, and the

process of transferring the entries from the other books to the Ledger is technically called *posting*.

We shall now endeavour to show how the principle of Double Entry is carried out.

In the previous chapter we supposed that I sold goods to John Brown, and we said that in this transaction two accounts were involved—one account receiving and the other giving. It will be clear to the student that there must always be a giving and a receiving side to any transaction. There cannot be a buyer or a receiver without a seller or a payer. Even if one's property is stolen the thief is the receiver, and the loser the (unwilling) giver. A little thought will show that this principle holds good in even the most trivial affairs of every-day business life.

Now we will open in the Ledger the two accounts requisite to record the fact that I have sold goods to John Brown, say for five pounds.

Dr. JOHN BROWN. Cr.

Jan. 1	To Goods ..			5	0	0						

Dr. GOODS. Cr.

						Jan. 1	By John Brown ..			5	0	0

It will be seen that John Brown's account, which will be the record of all my transactions with that gentleman, is debited with the £5 which he owes me, and that my Goods Account, which in my books represents me, is credited with a like sum.

These two accounts represent two of the three kinds of accounts into which the accounts in the Ledger are divided, namely, *Personal* accounts (as, for example, the account of John Brown); *Real* accounts (as, for example, the Goods account); and *Nominal* accounts, which we shall deal with later.

In the first chapter we further supposed that John Brown paid me the £5 he owed. Here again we find the dual aspect of the transaction—I receive, being represented by my real account "Cash," and John Brown gives. In my Ledger the record will appear thus :—

Dr.			CASH.						Cr.
Jan.	To John Brown ..		5	0	0				

Dr.			JOHN BROWN.						Cr.
						Jan.	By Cash ..	5	0	0

Inasmuch, however, as I have only one account in my Ledger for John Brown, I should enter the transaction in the account already opened, when that gentleman's account would appear thus :—

Dr.			JOHN BROWN.						Cr.
Jan.	To Goods ..		5	0	0	Jan.	By Cash ..	5	0	0

This shows that the amount which John Brown owed has been paid, and his account may be ruled off as shown.

For the sake of illustrating the third group of accounts, named the *Nominal* accounts, (sometimes called *Expense* accounts,) we will assume that we have paid £10 for rent. In this case we have given money and have received a benefit by the use of somebody's premises. Here we open in the Ledger an account called "Rent," which we debit with the amount, and as we have given cash we credit the Cash Account, the two accounts appearing thus :—

Dr.			RENT.						Cr.
Jan.	To Cash ..		10	0	0				

Dr.			CASH.						Cr.
						Jan.	By Rent ..	10	0	0

The student will see that here again we have the double entry. Other Nominal accounts would be Wages, Salaries, Trade Charges, and so on. It is desirable to have separate accounts for these various items, as the Ledger will then show the expenditure upon each.

The student should obtain a clear conception of the nature of each of the three above-mentioned classes of Ledger Accounts. They are usually divided as follows:—

1. *Personal Accounts*, which record dealings with debtors and creditors.
2. *Impersonal Accounts*, which are subdivided into
   (*a*) *Real* Accounts, which record dealings in *material objects* and
   (*b*) *Nominal* Accounts, which record profits and losses, or expenses and revenues.

Now, in a Ledger, try and make the necessary entries to record the following transactions, bearing in mind the universal rule that the Receiver, or the Receiving account, is always debited, and the Giver, or the Giving account, is always credited. Remember, also, that if I receive a benefit, as in the case of paying Rent or Wages, etc., an account is to be opened in that name and *debited* with the amount paid.

Exercise I.

Bought Goods of T. Smith for £15.
Sold Goods to H. Jones for £10.
Paid Cash for Wages, £1.
Received Cash from H. Jones, £10.
Paid Cash to T. Smith, £5.
Paid Cash for Rent, £2.

CHAPTER III.

THE LEDGER (*continued*).

In addition to the Ledger accounts to which we have already alluded, there are the accounts, of a more or less private nature, appertaining to the proprietor of the business. These are the Capital Account, showing the amount of capital invested in the business, and the Private or Drawing Account, to which are posted sums withdrawn from time to time in anticipation of accrued profits. Let it be understood that a man's capital is not necessarily a sum of money invested in a business, and indeed is not necessarily money at all. It may be best described as the surplus of his *assets* over his *liabilities*. Assets include not only money, goods, and other property, but also sums of money owing to a person, otherwise known as *book debts*. Liabilities are debts owing by a person.

To illustrate: If I have money, stock-in-trade, and shop fittings valued together at £200, and have also debts due to me amounting to £100, my *Assets* are £300. If, at the same time, I owe trade debts amounting to £150, my *Capital* is the excess of my assets over my liabilities, that is to say, it is £150. We will show presently how this would appear in the Ledger.

We have already mentioned the Goods Account as one of the *real* accounts. Under this group of accounts would also be included cash and property of any kind belonging to the business, such as trade fittings, carts and horses, leases of business premises, machinery and tools, and such like. Any part of the assets in a business consisting of these last-named things is known as *Fixed Capital*, whilst stock in trade, book debts, money, and securities for money are known as *Floating Capital*.

Taking the figures mentioned above, we shall proceed to show how the Ledger would appear, and how the Capital Account would be shown, at the commencement of a trading period. We shall go on to show further how various transactions would be entered into the Ledger in the course of a few days' business.

We will suppose that a purchase of goods was made from A. B. to the amount of £50; that goods were sold to C. D. for £25; that we paid A. B. £25; that more goods were sold to C. D. for £5, and that he paid £15 of the sum due from him; also that goods were sold for ready money for £15, and that goods were purchased for cash for £10. When these various transactions are entered up the Ledger should appear as shown, the Cash and Personal accounts being balanced.

As this is the first time we have used the word *balanced*, we must explain its meaning. The *balance* of an account is the *difference* between the Debtor and Creditor sides, and the process of balancing is accomplished by adding to the lesser side an amount sufficient to make it equal to the greater side, writing before the amount in the Ledger the word "Balance."

LEDGER.

Dr. CAPITAL ACCOUNT. Cr.

Jan.	To Creditors	150	0	0	Jan.	By Cash	100	0	0
	„ Balance	160	0	0		„ Goods	50	0	0
						„ Debtors	100	0	0
						„ Fittings	50	0	0
						„ Profit & Loss	10	0	0
		£310	0	0			£310	0	0

Dr. CASH. Cr.

Jan.	To Capital	100	0	0	Jan.	By A. B.	25	0	0
	„ C. D.	15	0	0		„ Goods	10	0	0
	„ Goods	15	0	0		„ Balance	95	0	0
		£130	0	0			£130	0	0

Dr. GOODS. Cr.

Jan.	To Capital	50	0	0	Jan.	By C. D.	25	0	0
	„ A. B.	50	0	0		„ „	5	0	0
	„ Cash	10	0	0		„ Cash	15	0	0
	„ Profit & Loss	10	0	0		„ Balance	75	0	0
		£120	0	0			£120	0	0

Dr. FITTINGS. Cr.

Jan.	To Capital %		50	0	0	Balance ..		50	0	0

Dr. DEBTORS. Cr.

Jan.	To Capital %		100	0	0	Balance ..		100	0	0

Dr. CREDITORS. Cr.

Jan.	Balance ..		150	0	0	Jan.	By Capital %		150	0	0

Dr. A. B. Cr.

Jan.	To Cash ..		25	0	0	Jan.	By Goods ..		50	0	0
	,, Balance		25	0	0						
			£50	0	0				£50	0	0

Dr. C. D. Cr.

Jan.	To Goods ..		25	0	0	Jan.	By Cash ..		15	0	0
	,, ,, ..		5	0	0		,, Balance		15	0	0
			£30	0	0				£30	0	0

Dr. PROFIT AND LOSS ACCOUNT. Cr.

Jan.	To Capital %		10	0	0	Jan.	By Goods ..		10	0	0

But this is not the only purpose that is served by book-keeping. We saw in the introductory chapter that it would also show us what profit (if any) was made. Now, as we have not sold all the goods comprising our stock-in-trade, we must ascertain the value of those we have left, taking the value at the cost price. We do this and find the value to be £75. Now comes the question, how is this going to help us to ascertain our profits? There are various ways in which this can be done. Let us take a plain and easy one. The value of the goods we started with was £50, and we have bought goods

to the value of £60, making together £110. The value of goods left on hand we have found to be £75. Deducting this from the £110, we see that the cost price of the goods we have sold was £35, and as we sold these for £45 we find at once that we have made a profit of £10.

We now add another account to our Ledger, and call it Profit and Loss Account. As the profit has arisen from the sale of goods we enter the £10 on the *debtor* side of the Goods Account "To Profit and Loss," and on the credit side of the Profit and Loss Account " By Goods," again making, it will be seen, the double entry.

Now what are we going to do with this £10 profit which we have made ? If I trade and gain by so doing, it is at once evident that I have increased my Capital. I, therefore, take this gain from the Profit and Loss Account, and place it to the *credit* of my Capital Account. The entry in the former account will be " To Capital Account £10," and in the latter it will be " By Profit and Loss £10."

I now balance the Capital Account, and I find that the balance is £160, which is £10 more than I had at first; that is the amount which I have gained by my trade. Now, in a Ledger, work the following exercise ; find out what profit has been made, and after putting it to the credit of Profit and Loss Account, transfer it to the Capital Account. All the accounts must be balanced, and neatly ruled off.

Exercise II.

To be worked with a Ledger only.

J. Brown began business with a capital of £200 in cash.

He bought goods from A. White, on credit, for £50, and from S. Green, also on credit, for £60.

He sold goods to F. Young, on credit, for £25, and he also sold goods for cash (or for ready money) for £15.

He paid A. White £20, and S. Green £30.

F. Young paid him £15, and bought some more goods for £20, for which he did not pay.

Mr. Brown then bought some goods for £20 and paid for them in cash, and he sold goods on credit to V. Old for which he charged £30.

The stock Mr. Brown has now left on hand is worth at cost price £50.

CHAPTER IV.

THE JOURNAL.

As we have said (Chapter I) that the Ledger is a summary of a number of other books, it follows that these other books must be prepared first, and we shall now take these other books and explain their use.

The first of all is necessarily a book in which transactions are recorded as they occur. This book takes various forms in various businesses. In the imaginary transactions of which a book-keeping exercise is composed, it takes the shape of a list of such transactions, and is commonly called the Waste Book.

To facilitate the transference of the transactions from the Waste Book to the Ledger, another book, known as the Journal, is introduced. The process of entering transactions in the Journal is known as *Journalising*.

The Journal demands careful study, because any mistakes made in this book are perpetuated in the Ledger. A few simple **Golden Rules** are, therefore, given to enable the student to produce a correct Journal. Let it be remembered that anyone who can journalise accurately will (other things being equal) make a good book-keeper.

The following few rules contain the secret of correct journalising and accurate book-keeping :—

I. **Debit Receiver—or that which is received.**
Credit Giver—or that which is given.

II. **Debit Losses—Credit Gains.**

III. **Every debit must have a corresponding credit.**

IV. **The debit (or the sum of the debits) must equal the credit (or the sum of the credits).**

The rulings for Waste Book and Journal are shown in the succeeding pages.

The following is a list of transactions which will be journalised as a model for the student. He should try to journalise them himself by the aid of the above **Golden Rules**, after which he should compare his Journal with the model here given.

WASTE BOOK.

Date. 19..	Transactions.			
Jan. 1	Andrew Brooks commenced business on this date with a capital in Cash of ..	500	0	0
,, 2	Bought Goods for Cash	50	0	0
	Bought of F. Smedley, Goods	368	18	0
,, 5	Sold Goods for Cash	83	0	0
,, 9	Bought of Wm. Thomas, Goods	137	10	0
,, 13	Sold F. Smith, Goods	46	5	0
,, 16	,, ,, ...	3	7	6
,, 20	Paid F. Smedley, Cash	368	18	0
	Sold F. Smith, Goods	23	2	6
,, 25	Paid W. Thomas, Cash	137	10	0
	F. Smith paid Cash on account	46	5	0
	A. Brooks drew for his own use	10	0	0
,, 26	Bought of F. Smedley, Goods	58	15	0
	Sold F. Smith, Goods	12	7	6
,, 29	,, Goods for Cash	47	12	0
,, 30	,, F. Smith, Goods	15	10	0
,, 31	F. Smith paid on account	3	7	6
	Paid Wages for month	10	0	0
	,, Rent to date	15	0	0
	,, Trade Expenses during month ..	4	7	6

Stock of Goods on hand at this date, £434 5s. 0d. (This item is not to be journalised, as no actual transaction occurs).

The following is the ruling for an ordinary Journal. Column A is for date, B for entries, C for Ledger folio (to be afterwards explained); the two money columns are for debit and credit amounts.

JOURNAL.

A	B	C	Dr.			Cr.	
19..		L.F					
Jan. 1	Cash (receives) Dr.	16	500	0	0		
	To Capital a/c (gives)	16				500	0 0
2	Goods (received) Dr.	16	50	0	0		
	To Cash (giver) ..	16				50	0 0
	Goods (received) Dr.	16	368	18	0		
	To F. Smedley (giver)	17				368	18 0
	Forward		£918	18	0	£918	18 0

JOURNAL—(*continued*).

A	B	C		Dr.			Cr.	
19..		L.F						
	Brought Forward		£918	18	0	£918	18	0
Jan. 5	Cash (received) Dr.	16	83	0	0			
	To Goods (given)	16				83	0	0
„ 9	Goods Dr.	16	137	10	0			
	To Wm. Thomas	17				137	10	0
„ 13	F. Smith Dr.	17	46	5	0			
	To Goods ..	16				46	5	0
„ 16	F. Smith Dr.	17	3	7	6			
	To Goods ..	16				3	7	6
„ 20	F. Smedley (rec.) Dr.	17	368	18	0			
	To Cash (giver) ..	16				368	18	0
	F. Smith Dr.	17	23	2	6			
	To Goods ..	16				23	2	6
Jan. 25	W. Thomas Dr.	17	137	10	0			
	To Cash	16				137	10	0
„	Cash (received) Dr.	16	46	5	0			
	To F. Smith (gives)	17				46	5	0
	Drawing a/c* (rec.) Dr.	16	10	0	0			
	To Cash (giver) ..	16				10	0	0
„ 26	Goods Dr.	16	58	15	0			
	To F. Smedley ..	17				58	15	0
	F. Smith Dr.	17	12	7	6			
	To Goods ..	16				12	7	6
„ 29	Cash Dr.	16	47	12	0			
	To Goods ..	16				47	12	0
„ 30	F. Smith Dr.	17	15	10	0			
	To Goods ..	16				15	10	0
	Forward		£1909	0	6	£1909	0	6

JOURNAL—(*continued*).

A	B	C		Dr.			Cr.	
19..		L.F						
	Brought Forward		£1909	0	6	£1909	0	6
Jan. 31	Cash Dr.	16	3	7	6			
	To F. Smith ..	17				3	7	6
	Wages (Loss) Dr.	17	10	0	0			
	To Cash	16				10	0	0
	Rent (Loss) Dr.	17	15	0	0			
	To Cash	16				15	0	0
	Trade Chgs. (Loss) Dr.	17	4	7	6			
	To Cash	16				4	7	6
	Total of Journal ..		£1941	15	6	£1941	15	6

* Any money drawn from the business by its owner for his personal use, is charged to a "Drawings Account." The balance of this account is afterwards transferred to the debit of the Capital Account.

It will be noticed from the above Journal that the debit name is written to the left, and the credit name to the right. This method, besides producing a good style of work (which should always be cultivated by a book-keeper), also helps to distinguish one account from another. Again, it is not usual to write the abbreviation "Cr." after the credit name, and even the "Dr." may be omitted when the student is more advanced in journalising.

If necessary, the *reason* for the Journal entry may be given; such reason or explanation being known as the ***narration***.

For example :—

19..								
Jan. 13	F. Smith Dr.		46	5	0			
	To Goods ..					46	5	0
	Being 10 Bags Coffee, at £4 12s. 6d.							

CHAPTER V.

POSTING FROM THE JOURNAL TO THE LEDGER.

EVERY account mentioned in your Journal will need a Ledger account under its own heading. Thus, when Capital, Cash, Goods, F. Smedley, Wages, etc., are mentioned in the Journal you will require to open an account for each in the Ledger. You will now proceed to post from your Journal into the Ledger. For the ruling of the Ledger, and the use of the different columns see Chapter II.

It is usual to open a Capital Account first; you will therefore do so and *credit* it (according to your Journal entry of Jan. 1st) with £500, thus :—

Dr.	CAPITAL ACCOUNT.							Cr.
				19.. Jan. 1	By Cash ..	12	500 0	0

In the Ledger folio column (column G.) you insert the folio number of the Journal; and in the Journal folio column you enter the folio number of the Ledger. By this means you are enabled at any time to trace the entries from one book to another.

As every credit requires a debit (see Golden Rule No. III), you must now open a Cash Account, and debit it thus, inserting the folio numbers, as before :—

Dr.	CASH ACCOUNT.									Cr.
19.. Jan. 1	To Capital	12	500	0	0					

Proceed with every Journal entry in like manner till the whole of the items have been posted. Your Ledger will then appear (if correctly entered) as follows, disregarding the totals and the red ink entries, which will be explained later :—

THE LEDGER.

Dr. CAPITAL ACCOUNT. **Cr.**

19..						19..					
Jan. 31	To Drawing a/c transferred ..	16	10	0	0	Jan. 1	By Cash ..	12	500	0	0
,, ,,	To Balance	c/d	510	19	0	,, 31	,, Profit and Loss net gain	22	20	19	0
			£520	19	0				£520	19	0
						Feb 1	By Balance	b/d	510	19	0

Dr. DRAWING ACCOUNT. **Cr.**

19..						19..					
Jan. 25	To Cash -	13	10	0	0	Jan. 31	By Capital a/c transferred	16	10	0	0
			£10	0	0				£10	0	0

Dr. CASH ACCOUNT. **Cr.**

19..						19..					
Jan. 1	To Capital	12	500	0	0	Jan. 2	By Goods ..	12	50	0	0
,, 5	,, Goods ..	13	83	0	0	,, 20	,, F. Smedley	13	368	18	0
,, 25	,, F. Smith	,,	46	5	0	,, 23	,, W. Thomas	,,	137	10	0
,, 29	,, Goods ..	,,	47	12	0	,, 25	,, Drawing				
,, 31	,, F. Smith	,,	3	7	6		% ..	,,	10	0	0
						,, 31	,, Wages..	,,	10	0	0
							,, Rent ..	,,	15	0	0
							,, Trade Charges	,,	4	7	6
							,, Balance	c/d	84	9	0
			£680	4	6				£680	4	6
Feb. 1	To Balance.	b/d	84	9	0						

Dr. GOODS ACCOUNT. **Cr.**

19..						19..					
Jan. 2	To Cash ..	12	50	0	0	Jan. 5	By Cash ..	13	83	0	0
	,, F. Smedley	,,	368	18	0	,, 13	,, F. Smith	,,	46	5	0
,, 9	,, W. Thomas	13	137	10	0	,, 16	,, ,,	,,	3	7	6
,, 26	,, F. Smedley	,,	53	13	0	,, 20	,, ,,	,,	23	2	6
,, 31	,, Profit and Loss ..	22	50	6	6	,, 26	,, ,,	,,	12	7	6
						,, 29	,, Cash ..	,,	47	12	0
						,, 30	,, F. Smith	,,	15	10	0
						,, 31	,, Stock on hand	c/o	434	5	0
			£665	9	6				£665	9	5
Feb. 1	To Balance..	b/d	434	5	0						

Dr. F. SMEDLEY, PETERBOROUGH. **Cr.**

19..			£	s	d	19..			£	s	d
Jan. 20	To Cash ..	13	308	18	0	Jan. 2	By Goods..	12	368	18	0
„ 31	„ Balance	c/d	58	15	0	„ 26	„ „ ..	13	58	15	0
			£427	13	0				£427	13	0
						Feb. 1	„ Balance	b/d	58	15	0

Dr. WM. THOMAS, SEVENOAKS. **Cr.**

19..			£	s	d	19..			£	s	d
Jan. 25	To Cash ..	13	137	10	0	Jan. 9	By Goods..	13	137	10	0
			£137	10	0				£137	10	0

Dr. F. SMITH, HIGHBURY. **Cr.**

19..			£	s	d	19..			£	s	d
Jan. 13	To Goods ..	13	46	5	0	Jan. 25	By Cash ..	13	46	5	0
„ 16	„ „ ..	„	3	7	6	„ 31	„ „ ..	14	3	7	6
„ 20	„ „ ..	„	23	2	6		„ Balance	c/d	51	0	0
„ 26	„ „ ..	„	12	7	6						
„ 30	„ „ ..	„	15	10	0						
			£100	12	6				£100	12	6
Feb. 1	To Balance..	b/d	51	0	0						

Dr. WAGES ACCOUNT. **Cr.**

19..			£	s	d	19..			£	s	d
Jan. 31	To Cash ..	14	10	0	0	Jan 31	By Profit & Loss ..	22	10	0	0
			£10	0	0				£10	0	0

Dr. RENT ACCOUNT. **Cr.**

19..			£	s	d	19..			£	s	d
Jan. 31	To Cash ..	14	15	0	0	Jan. 31	By Profit & Loss ..	22	15	0	0
			£15	0	0				£15	0	0

Dr. TRADE CHARGES ACCOUNT. **Cr.**

19..			£	s	d	19..			£	s	d
Jan. 31	To Cash ..	14	4	7	6	Jan. 31	By Profit & Loss ..	22	4	7	6
			£4	7	6				£4	7	6

CHAPTER VI.

THE TRIAL BALANCE AND BALANCE SHEET.

THE Ledger having been posted up, it is now necessary to ascertain if the postings have been correctly made. This is done by means of the *Trial Balance*, which will show the total of the debits and credits of each Ledger account, and the grand total of all the debits and all the credits, which, by Golden Rule No. IV, should exactly equal one another. Such a process of ascertaining the accuracy of the postings is not recorded by a book-keeper in his set of books, but is worked out on a loose sheet of paper. The student, however, is advised to take out the Trial Balance in a page of his Journal, set apart for the purpose.

The Trial Balance is ruled similarly to the Journal, and contains two money columns, one for the debits, the other for the credits. It will need neither folio nor date column; it is, however, often found convenient to use a Ledger folio column for reference purposes.

In making out a Trial Balance, enter the name of the first Ledger account, and put the sum of its debits (if any) in the *debit* column, and the sum of its credits (if any) in the *credit* column. Proceed with each Ledger account in the same manner, and when completed total each column. The two amounts should not only equal one another, but should also equal the totals of the Journal.

If all these totals agree it will be proved, first, that every item has been correctly entered as far as the amount is concerned, and secondly, that every debit or credit in the Journal has been entered to a debit or credit respectively in the Ledger. The Trial Balance, however, will not discover errors such as the following:—First, a posting to the correct side of the Ledger, but to a wrong account; secondly, a posting to the wrong side of the Ledger with its corresponding entry also posted to the wrong side. The Trial Balance must not be passed till the correct figures have been obtained.

The Trial Balance of the Ledger given in the last chapter will appear thus :—

TRIAL BALANCE.	Dr.			Cr.		
Capital a/c	—	—	—	500	0	0
Drawing a/c	10	0	0	—	—	—
Cash	680	4	6	595	15	6
Goods	615	3	0	231	4	6
F. Smedley	368	18	0	427	13	0
W. Thomas	137	10	0	137	10	0
F. Smith	100	12	6	49	12	6
Wages	10	0	0	—	—	—
Rent	15	0	0	—	—	—
Trade Charges	4	7	6	—	—	—
Total	£1941	15	6	£1941	15	6

If you examine the totals of your Journal (see Chap. IV) and compare them with the totals of your Trial Balance, the results will be found to be identical.

This method of working the Trial Balance is useful only when *all* transactions are passed through the Journal. There is, however, a second method of drawing up a Trial Balance which is more suitable for business purposes.

As it is not customary in the present day either to pass Cash transactions through the Journal, or to have a Cash Account in the Ledger, a modified form of Trial Balance is used, in which only the *balances* of the various accounts are taken notice of, and all those accounts which show no balance, that is, which have both sides alike in total, are passed over. As in the books of many trading firms such accounts may be counted by hundreds, the saving of labour is very considerable indeed.

The method adopted, having paper ruled as in the form previously shown, is to ascertain the balance, *i.e.*, the *difference* between the two sides, of each account, and to place it, if a debit balance in the debit column, and if a credit balance in the credit column. The balance of Cash, as shown in the Cash Book, must be entered in the debit column, and the total of debit and credit balances should then be equal.

A little thought will show the reason of this equality, namely, that as the *totals* of the two sides of the Ledger, as

seen in the first form of Trial Balance, are equal; and as in extracting the balance of an account an *equal sum* is taken from each side, the remainders (*balances*) left on each side must also be equal.

The Trial Balance of the Ledger already worked will consequently appear thus :—

TRIAL BALANCE.

	Dr.			Cr.		
Capital %	—	—	—	500	0	0
Drawing %	10	0	0	—	—	—
Cash	84	9	0	—	—	—
Goods	383	18	6	—	—	—
F. Smedley	—	—	—	58	15	0
F. Smith	51	0	0	—	—	—
Wages	10	0	0	—	—	—
Rent	15	0	0	—	—	—
Trade Charges	4	7	6	—	—	—
Total	£558	15	0	£558	15	0

N.B.—The account of W. Thomas is not inserted, there being *no* balance.

The advantage of this second method of drawing up a Trial Balance is readily seen, for the balances here shown are utilised in making out the Profit and Loss Account and the Balance Sheet.

The Trial Balance is taken out at the periodical balancing of a set of books. The book-keeper would do well, however, to work out a rough Trial Balance, say, quarterly, or even oftener, and thus rectify any possible errors that may have been made by him. He will then be able to guarantee greater accuracy in his accounts, which result will largely simplify his work when the periodical balancing of the books takes place.

When all the entries in the other books have been posted to the Ledger, the whole of the Ledger accounts must be balanced in the way already explained, and the balance of each account must be *brought down* to form the *first entry* in the account for the next period of trading. If the sum required to balance an account has to be entered on the *debit* side it is brought down to the *credit* side, with the words "By Balance," and it is called a *credit balance*. If, on the

other hand, the debit side is larger and the balance has to be first entered on the *credit* side, it is brought down to the *debit* side and is called a *debit balance.* The narration then is "To Balance." In short, balances when brought down always *cross over* to the other side. See the red ink entries in the Ledger given in Chapter V.

In balancing the accounts the student should first confine his attention to those accounts which represent either gains or losses. He should, therefore, first balance the *Nominal* Accounts, that is, those which are subdivisions of a Profit and Loss Account; for instance, Rent, Wages, Trade Charges, and also Goods (as far as profit or loss is concerned).

On examining the Trial Balance, the student will at once discover that Rent, Wages, and Trade Charges will represent losses, consequently these accounts should first be closed; and inasmuch as there is a debit excess in each account, it is necessary to write the closing entry on the *credit* side of each of these three accounts, saying, "By Profit and Loss"—so much, *i.e.*, the amount necessary to equalise the two sides. This being done the student will open a Profit and Loss Account in the Ledger, and will transfer these three entries once more to the *debit* side of that account, thus bearing out again **Golden Rule** No. II, that **All Losses are debited.** Now let us ascertain what profits (if any) have been made. Inasmuch as a trader opens a business primarily with a view of making a profit, it is reasonable to infer that our Ledger will show a profit on the goods bought and sold. Before we can ascertain this, we must know what goods (if any) we have in stock still *unsold.* We are told at the end of our Waste Book (Chap. IV) that the Stock of Goods unsold amounts to £434 5s. 0d. This information, or the means to obtain it, will always be given to us. In business, of course, such information could only be obtained by "Stock-taking." Returning to our subject, this "Stock in hand" must now be entered to our *Credit* in the Goods Account, with date and amount. This Stock is entered on the *Credit* side because it represents the amount which would be realised if the goods were sold at cost price. Next we proceed to find the difference between the two sides, and the amount of the debit (or purchasing) side being found to be smaller than that of the credit (or selling) side, the difference will thus represent a profit. This difference

(£50 6s. 6d.) is entered on the debit side of the Goods Account, and equalises the two sides (which should now be added up and found to agree) and is then transferred to the *credit* side of the Profit and Loss Account, in accordance with Golden Rule No. II, which says that All Gains are credited.

The Profit and Loss Account now appears as follows :—

Dr. PROFIT AND LOSS. Cr.

19...						19...					
Jan. 31	To Wages -	17	10	0	0	Jan. 31	By Goods -	16	50	6	6
	,, Rent -	,,	15	0	0						
	,, Trade Charges-	,,	4	7	6						
	Capital % net profit		20	19	0						
			£50	6	6				£50	6	6

Looking at the Profit and Loss Account, we find that our losses amount to £29 7s. 6d., and our gains to £50 6s. 6d. It is evident that the difference between the two amounts is the net profit. This difference is therefore (as before) placed on the smaller side, so as to equalise the two sides ; and because such profit is a gain to the Capital Account we say "To Capital a/c, £20 19s.," ruling off the account. Now turning to the Capital Account, we credit it—"By Profit and Loss—net profit—£20 19s."

The Profit and Loss Account being now completed, and the profit having been credited to Capital, we may at once proceed to balance off every account. These balancing entries are shown in *red ink*. (See Ledger in previous chapter.)

Turning to the Drawing Account we must first transfer the balance to the debit of the Capital Account, inasmuch as all amounts drawn out of a business by its owner will reduce the Capital to that extent.

Looking next at the Capital Account, we now find that to equalise the two sides it is necessary to add something to the debit side. We therefore insert the date (Jan. 31) and write "To Balance c/d" so much. (N.B.—c/d = carried down, and b/d = brought down.) Adding up the two sides we place down the totals and then bring down the balance once more to the opposite side, dating it Feb. 1, and writing "By Balance b/d" for the same amount. This balance has been brought

down once more to the opposite side because the amount on that side is really the heavier, and the balance is brought down in readiness for continuing the account for the next month.

Do the same with the rest of the accounts, writing To (or By) Balance c/d, so much, and then carry down this amount to the opposite side—By (or To) Balance b/d, so much. To check these amounts the student should refer to his Trial Balance for every account except Capital and Goods, in the first of which the net profit and drawings will since have been inserted, and in the second of which will since have been written the Stock unsold, and gross profit.

The Stock of Goods unsold will be brought down on the *debit* side of the Goods Account, it being the amount with which we start the next month's record.

The student may now make out the Balance Sheet as follows, remembering that Liabilities include all debts owing *by* a person, and that Assets include all debts owing *to* a person :—

BALANCE SHEET AT 31ST JAN., 19..

LIABILITIES.					ASSETS.			
F. Smedley Capital %	9	58	15	0	Cash ..	84	9	0
		510	19	0	F. Smith	51	0	0
					Goods ..	434	5	0
		£569	14	0		£569	14	0

To get these amounts to the proper side of the Balance Sheet, we transfer the "brought down" balance of each account to the opposite side of the Balance Sheet, because, as will be seen, the debit balances form the Assets, and the credit balances the Liabilities. The difference between the Assets and Liabilities will form the Capital, and this amount, as shown in the Balance Sheet, must agree with the balance set forth in the Capital Account. If the two do *not* agree, then the accounts have been wrongly worked ; and it will be necessary first for the errors to be discovered, and then corrected. Note that the account of W. Thomas shows *no* balance, and, therefore, does not appear in the Balance Sheet.

The interpretation of the Profit and Loss Account, and Balance Sheet, as here shown, is as follows: I have made a profit on my goods, from which my losses are subtracted, resulting in a net gain on my month's work of £20 19s. My Capital of £500 is increased by this profit, against which I have drawn £10, making my new capital £510 19s. I possess Cash to the amount of £84 9s. and Goods to the value of £434 5s.; I have owing to me £51, while I owe £58 15s. This, of course, would be considered a satisfactory state of affairs. The value of a Profit and Loss Account, and a Balance Sheet is thus illustrated.

N.B.—If at any time the Liabilities exceed the Assets, then the "Capital" (so called) would have to be inserted on the Assets side, so as to equalise the totals. Such a result would, of course, mean insolvency, and the firm might be bankrupt.

In making out a Balance Sheet, the following order of accounts should be observed as far as possible. Remember that Assets are to be placed in the order in which they may be readily realised, that is, the most available first; and the Liabilities in the order in which they are to be met. Thus, the order for statement of Assets should be as follows*:—

I. Cash on hand.
   - (*a*) At Bank.
   - (*b*) In Office.
   - (*c*) In Petty Cash.
   - (*d*) On Deposit.

II. Investments—if any.

III. Sundry Debtors.
   - (*a*) On Bills Receivable.
   - (*b*) On Open Accounts.

   If the list of personal debtors (or creditors) is a long one, the total amount only may be entered in the Balance Sheet, the particulars being given on a separate schedule.

IV. Stock Accounts.
   - (*a*) Home Goods.
   - (*b*) Consignments (if any).

   Each being mentioned separately.

* Consignments, Reserves, etc., are explained later.

V. Horses, Carts, Wagons, etc.
VI. Plant and Machinery.
VII. Freehold Land and Premises.
VIII. Leasehold Premises.
IX. Goodwill Account.

The order for Liabilities will be thus :—

I. Sundry Creditors.
   (*a*) On Bills Payable.
   (*b*) On Open Accounts.
   (*c*) On Loans, Mortgages, etc. (unless shown as a depreciation of certain assets on other side of Balance Sheet).

II. Reserve Accounts (if any) for Bad and Doubtful Debts, or other purposes.

III. Capital Accounts.
   If Partners, then each separately.

Exercise III.

Journalise, post to Ledger, make out a Trial Balance, and a Balance Sheet.

Jan.	1.	Wm. Sowerby commenced business with Cash	£1000	0	0
,,	2.	Bought goods of S. Sells	600	0	0
,,	3.	,, for Cash	50	0	0
,,	6.	Sold goods for Cash	45	0	0
,,	7.	,, to E. Evans	20	0	0
,,	10.	Paid S. Sells, Cash	300	0	0
,,	12.	Sold goods to W. Watson	10	0	0
,,	16.	Received from W. Watson, Cash	10	0	0
,,	20.	Took cash for private expenses	20	0	0
,,	24.	Received from E. Evans	15	0	0
,,	26.	Sold goods for Cash	200	0	0
,,	31.	Paid trade expenses for month, Cash	20	0	0

Stock of goods on hand, £410.

CHAPTER VII.

CLOSING OR ADJUSTING ENTRIES.

It will be noticed that the closing and balancing entries in the Ledger have been passed direct from the various accounts to the Profit and Loss Account and Balance Sheet. Such a method is customary in business firms where time is a consideration. In theoretical examinations, however (such as the Civil Service), it is frequently insisted that such balancing entries should first be passed through the Journal, on the ground that no entry, of whatever nature, should appear in the Ledger without having first been entered in the Journal.

As this text-book is intended to be a guide to students preparing for the Civil Service and other examinations, as well as to students for commercial book-keeping, the closing entries necessary for the Ledger shown in previous chapters are here annexed. The term "Closing Entries" is used because such entries have the effect of "closing" or "balancing" the Ledger accounts.

The necessary Journal entries will be as follows, and the student will post them, as previously explained, in the Ledger.

CLOSING ENTRIES.

Date. 19..	JOURNAL.	L.F	Dr. £	s.	d.	Cr. £	s.	d.
Jan. 31	Goods Dr	16	50	6	6			
	To Profit and Loss (Gains)	22				50	6	6
	Profit and Loss (Losses) Dr	22	29	7	6			
	To Sundries							
	Wages	17				10	0	0
	Rent	,,				15	0	0
	Trade Charges	,,				4	7	6
	Profit and Loss Dr	22	20	19	0			
	To Capital (net gain)	16				20	19	0
	Capital Account Dr	16	10	0	0			
	To Drawing % ..	16				10	0	0
			£110	13	0	£110	13	0

BALANCING ENTRIES.

19..								
Jan. 31	Balance a/c	Dr.	27	569	14	0		
	To Sundries (Assets)							
	Cash		16				84	9	0
	F. Smith		17				51	0	0
	Goods		16				434	5	0
	Sundries (Liabilities)	Dr.							
	To Balance a/c ..		27				569	14	0
	F. Smedley ..		17	58	15	0			
	Capital a/c ..		16	510	19	0			

It is now necessary for a Balance Account to be shown; and it will appear in the following form :—

Dr. BALANCE ACCOUNT. Cr.

19..					19..						
Jan. 31	To Cash ..		84	9	0	Jan. 31	By F. Smedley	17	58	15	0
	„ F. Smith	17	51	0	0		„ Capital a/c	16	510	19	0
	„ Goods ..	16	434	5	0						
			£569	14	0				£569	14	0

A Balance Account is made out only when Balancing Entries have been passed through the Journal; in which case the Ledger balances are not brought down under each account. A Balance Account is never used in practical book-keeping. It is only inserted here because the student may come across the term in the course of an examination.

It will be seen, however, by a reference to page 23 that the "Balance *Account*" is the same as the "Balance *Sheet*" shown there, except that the sides are reversed. By transferring all the Ledger balances to the Balance Account, all the Ledger Accounts have been closed off. Consequently, in order to re-open the books for the new period, it becomes necessary to reverse the closing Journal entries recorded above. This entails the creation of another Balance Account in which

the balances shown above will be recorded on the opposite sides to that on which they are shown in the above Balance Account. The second Balance Account will therefore be exactly like the Balance Sheet. This is said to be the reason why the Liabilities and Assets in a Balance Sheet occupy the reverse side to that upon which they appear in the books of account, the Balance Sheet being, in theory, the opening "Balance Account" of the new trading period.

Exercise IV.

To be worked through Journal and Ledger only. A separate Cash Book could be afterwards constructed, if desired. (See Chapter VIII.)

Or for this and all the following exercises Invoice and Day Books may be used for Credit Purchases and Sales respectively, and Cash Book for Cash transactions, the Journal being used only for such items as do not fall under either of these heads. For instructions and examples see Chapter XI.

On 1st January, 19.., William Sheffield commences business with a Capital of £1,000 in Cash.

Jan.	2	Bought Goods of Smith & Son	400	0	0
,,	3	Bought Goods for Cash	100	0	0
,,	4	Sold Goods to Jacob Bright	35	7	6
,,	8	,, ,, Wm. Jameson	74	10	0
		Jacob Bright paid me	20	0	0
,,	10	Bought Goods of Woodstock & Co.	276	10	0
		Paid them on a/c	200	0	0
,,	12	,, Smith & Son	250	0	0
		Sold Goods to Jones & Robinson	142	12	6
,,	15	Received from Wm. Jameson	50	0	0
	18	Sold Goods for Cash	45	12	6
,,	20	Received from Jones & Robinson	142	12	6
		Drew for self	25	0	0
,,	25	Sold Goods to Hiller & Co.	145	15	0
		Received from them on a/c	77	10	0
,,	27	Bought Goods for Cash	50	10	6
		Ready-money sales	27	9	8
,,	30	Paid Wages to date	20	0	0
		,, Rent for month	15	0	0
,,	31	Petty Expenses paid for month	14	15	6
		Stock on hand at this date, £500.			

Make out a Trial Balance, a Profit and Loss Account, and a Balance Sheet.

CHAPTER VIII.

THE CASH BOOK, SIMPLE FORM—AND PETTY CASH BOOK.

It will have been noticed that up to this point all transactions have been passed through the Journal. We shall now proceed to the study of the Cash Book, *i.e.*, the book in which are recorded all *cash* transactions. As the student is no doubt aware, all business firms use a Cash Book, for two reasons: primarily, to record the amounts of all cash received and paid, together with particulars relative thereto, thereby enabling them to ascertain at any period the exact amount of their balance; and secondly, to relieve the Journal of some of its entries; for when a Cash Book is kept, the entries appropriate to this book are not passed through the Journal, but are posted direct from the Cash Book to the Ledger, the Cash Book itself being treated as a Ledger Account.

Some firms will pass the totals of cash received and paid through the Journal at stated periods, in which case a Cash Account, containing totals only, will be opened in the Ledger; but the tendency of modern book-keeping being to save all unnecessary entries, the student is advised to adhere to the plan shown in the following pages, as a multiplication of entries might tend to lessen the accuracy of accounts. This plan is shown in the example worked at full length in Chapter X.

The ruling of the simplest form of Cash Book (which will be shown first) is as follows:—

The Cash Book will require two open pages (called a "Folio"), the left-hand page being called the Dr. side, and the right-hand page the Cr. side, the two sides being numbered alike. The Dr. side is for all Cash *receipts*, and the Cr. side for all Cash *payments*, in accordance once more with our Golden Rule No. I (Chapter IV).

The cash entries of the transactions given in Chapter IV will now be shown in Cash Book form.

Dr. Cr.

Date.	CASH.					Date.	CONTRA.				
19..	Receipts.	L.F.				19..	Payments.	L.F.			
Jan. 1	To Capital a/c		500	0	0	Jan. 2	By Goods (R.M.)*		50	0	0
„ 5	„ Goods (R.M.)*		83	0	0	„ 20	„ F Smedley		368	18	0
„ 25	„ F. Smith		46	5	0	„ 23	„ W Thomas		137	10	0
„ 29	„ Goods ..		47	12	0	„ 25	„ Drawing a/c ..		10	0	0
„ 31	„ F. Smith		3	7	6	„ 31	„ Wages ..		10	0	0
							„ Rent ..		15	0	0
							„ Trade Charges		4	7	6
							„ Balance in hand	c/d	84	9	6
			£680	4	6				£680	4	6
19..	To Balance in hand ..	b/d	84	9	6						

* "R.M." means "Ready Money."

The student should compare this Cash Book with the Cash Account shown in Ledger (Chapter V).

To balance a Cash Book it is necessary to subtract (on separate paper) the total of the Credits from the total of the Debits, and to place the difference on the smaller (Credit) side, writing "By Balance in hand" so much, and the date. Then total both sides (which will be alike, if the casting is done correctly), place them down and rule off. Finally bring down the balance on the Dr. side—it being a debit balance.

It is obvious that the Cash Account must show a debit balance, for one cannot pay away more cash than one receives.

To post the Cash Book into the Ledger, proceed as follows:—Referring to our **Golden Rule** No. III, we see that every debit must have a credit, and *vice versâ*. Consequently the accounts mentioned on the Dr. side of Cash Book (Cash being *debited*) will be *credited* in Ledger with their respective amounts. Thus, Capital Account will be credited with £500—By Cash. In the Ledger will also be inserted the date, and the folio of the Cash Book, while in the "L.F." (Ledger Folio) column of the Cash Book will be inserted the folio of the Ledger, where the account has been entered. The same will be done with all the debits.

For the *Credit* side of Cash Book operations will be reversed. The accounts mentioned there will be debited—To Cash—so much, in each case.

The " Balance in hand " is not posted into the Ledger, but is carried down.

After the student has posted his Cash Book, he should refer to his Ledger once more and compare accounts.

It must be remembered that the items appearing in Cash Book will not need to be journalised, so that the Journal will be shorter in length by such items being omitted. If the student decides to journalise the cash totals, the entries will be as follows :—

JOURNAL ENTRIES FOR CASH TOTALS.

Date.		L.F	Dr. £	s.	d.	Cr £	s.	d.
19.. Jan. 31	Cash Dr. To Sundries - - Being Cash received during the month, the *Credits* of which have been posted separately from C. B. fol. 30.		680	4	6	680	4	6
	Sundries Dr. To Cash - - - Being Cash paid during the month, the *Debits* of which have been posted separately from C. B. fol. 30.		595	15	6	595	15	6

When this is done the Journal totals will agree with those in the Journal of Chapter IV, and the Trial Balance may be worked like the first one shown in Chapter VI.

If, however, the student does not journalise the cash totals, then the Trial Balance is best worked in the shortened form which is always used in practical book-keeping.

THE PETTY CASH BOOK.

This book will contain an account of all small (or petty) expenses incurred during business, and which are, separately, too insignificant to be passed through the Cash Book. It is usual to pass the total of petty expenses weekly through the Cash Book. The petty cash is generally accounted for by the Petty Cash clerk who will, of course, keep a book in which will be entered on the Dr. side the amounts advanced *to* him; and on the Cr. side the amounts expended *by* him. An analysis would be made weekly of the expenses, classified under their appropriate headings, which amounts would then be debited to their respective accounts in the Ledger.

A specimen of a week's Petty Cash is here subjoined.

Petty Cash Book.

19..					19..				
Jan. 8	To Balance ford.	1	18	6	Jan. 8	By Stamps		5	6
,, 10	,, Cash (cheque)	10	0	0		,, Telegrams			9½
						,, Overtime		7	6
		£11	18	6	,, 9	,, Ink and string		2	9
						,, Carriage		2	4
						,, Letter paper		3	6
						,, Cab fares		2	6
					,, 10	,, Telegrams		1	4½
						,, Postcards		5	0
					,, 11	,, Parcels Co.		1	9½
						,, Blotting paper		1	3
						,, Gratuities		2	10
	Analysis.				,, 12	,, Small goods (for Stock)		12	4½
	For week ending Jan. 13					,, Stationery		9	4
	Postage		17	2		,, Carman		1	4
	Wages	3	0	0	,, 13	,, Housekeeper	1	5	0
	Stationery		16	10		,, Boys' wages	1	7	6
	Goods		16	6		,, Postal wrappers		4	6
	Trade Expenses		6	8					
		5	17	2		,, Balance in hand	6	1	4
	Balance in hand	6	1	4					
		£11	18	6			£11	18	6
,, 15	To Balance ford.		1	4					

EXERCISE V.

In a Cash Book make the entries of Cash received and paid in Exercise IV.

CHAPTER IX.

CHEQUES.

In the present day of advanced banking facilities, almost all receipts and payments are made by means of cheques. The use of coin and bank notes is thus avoided except in small transactions or transactions of a special character.

A cheque is an order upon a banker to pay a sum of money on demand to the person presenting the cheque, out of funds in the banker's possession which are the property of the drawer of the cheque.

Cheques are in two forms, one "*Pay to —— or bearer*," and the other "*Pay to —— or order.*" The former is complete in itself; in fact it is not necessary that a name should be inserted. Some firms insert a number, which refers to the account in payment of which the cheque is given, or the purpose for which the cheque is given may be named, as *Wages*, *Petty Cash*, and so on. This form of cheque needs no endorsement, and, provided it is not crossed and the drawer has funds in his banker's hands to meet it, it would be paid on presentation without further formality.

When a cheque is made payable to the "order" of the *payee*, or person who is to receive the money, it is necessary that his name should be inserted in the space provided, and he must also write his name on the back, that is, he must *endorse* it. This endorsement may be, and generally is, simply his signature, and the cheque then becomes to all intents and purposes the same as if it was made payable to bearer. It is really the "order" of the payee to pay the amount named to any one presenting the cheque at the bank for payment. If, however, the payee in endorsing the cheque, indicates the name of the person to whom he transfers his right in it, and writes over his signature "*Pay to A. B. or order*" the endorsement of A. B. also becomes necessary. The first form of endorsement is called "*general*" and the second "*special*," and any holder may endorse a cheque either generally or specially as he pleases. If on a cheque drawn to "*order*" the

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name of the payee is not given correctly, he should in the first place endorse it as it is written in the body of the cheque, and under that add his proper signature. It is absolutely necessary that the first endorsement should agree with the name given in the cheque.

Either of the two forms of cheques above described may be "*crossed*." The effect of the crossing is that the banker on whom the cheque is drawn will only pay it to another banker, and not to any person presenting it, as it is said, over the counter. The crossing is effected by drawing two parallel lines across the face of the cheque and writing between them either the words "& Co." or the name of another banker. In the first place, the banker upon whom the cheque is drawn will pay it to any banker; but in the second only to the banker whose name is inserted. Anybody into whose hands a cheque comes may cross it, and in like manner may add to a crossing "& Co." the name of a banker, so making a "general" crossing into a "special" one. He may not however, alter it the other way. Similarly, any one may alter a cheque payable to "bearer," so as to make it payable to "order," but only the drawer can effectually alter "order" to "bearer," and in such case he must place his initials against the alteration.

The effect of these rules is that anybody may so alter a cheque as to make its terms more stringent; but only the drawer can make them less so, and even the drawer cannot so alter the crossing of a cheque as to make a "special" crossing into a "general" one.

A cheque *may* be dated on any day, Sunday or otherwise, but it *should* be dated on the day it is drawn. If it is dated on a day in advance (that is, *post-dated*) it is not available until the stated date arrives, and is until then of no practical value. If it is dated on a day which is already past (*ante-dated*) it does not matter very much, unless it is dated so far back as to make it appear to be what bankers call a "stale cheque"; in which case they might think it necessary to refer to the drawer before paying it. This would not happen unless the time between date and presentation exceeded six months. This practice is only a matter of precaution on the part of the banker, as a cheque is legally available at any time after the date it bears, so long as the banker has funds

of the drawer in hand to meet it. Of course, no prudent person keeps a cheque in his possession for an undue length of time, as by so doing he simply gives the drawer an extended credit.

One other point about the crossing of cheques must be alluded to, namely, the addition of the words " not negotiable." This seriously alters the character of the document. In itself a cheque is *negotiable*; that is, it may be passed from hand to hand, and the holder who has come honestly by it and has given full value for it is entitled to retain its value, even if some previous holder had stolen it, or found it and appropriated it to his own use. When, however, a cheque is marked " not negotiable " (and any holder may so mark it), the state of things is quite different. A person who holds it, however honestly he has become possessed of it, has no better title to it than the previous holder had. To illustrate : A. receives such a cheque, and carelessly leaves it about. B. comes and steals it. He gets C., a friend, to give him the cash for it. C. pays it away to his tailor D., and D. pays it into his Bank, when its history is discovered. Although both C. and D. have dealt quite honestly with the cheque and have given value for it. B.'s title, or right, to it was bad, as he had stolen it, and A. is entitled to claim the cheque back from D.

The student should fully understand that " not negotiable " does *not* mean that the document cannot be transferred from one person to another, but only that the person who receives it does so with the risk that the title of any previous holder may have been bad. It may be noted that this applies now to Postal Orders also, which are all marked " not negotiable." To make this effective, however, the sender should insert the name of the person to whom he wishes the money to be paid. Some persons are in the habit of making a further reservation by marking cheques which they pay away " % payee." This is intended to be an instruction to the banker concerned not to receive the cheque for the account of any person except the payee who is named on the face of it.

CHAPTER X.

CASH BOOK—ADVANCED FORM.

It is usual for every business firm to have a Banking Account ; and it is, therefore, found most convenient to have a second money column on each side of the Cash Book, reserved for the account with the bank. We are thus enabled to ascertain at any time our bank balance, and also to check the " Pass Book " issued to us by the banker and containing the amounts we pay in and those paid out by him on our behalf.

No Bank Account is opened in the Ledger (unless, of course, desired by the student) ; consequently, transfers from Cash to Bank, and *vice versâ*, are not posted into the Ledger, they being in reality already posted by transfer from one side of the Cash Book to the other. The folio column for such transactions is usually filled by an arbitrary sign in red ink, such as the letter **C** ; the mark indicating that the same amount will be found on both sides of the Cash Book on the same date.

A *third* money column is usually allotted on each side of the Cash Book for " Discounts," the debit side (losses) representing the discounts allowed *by* us in connection with money received ; the credit side (gains) representing the discounts allowed *to* us in connection with money paid.

The Cash column is generally distinguished as " Office Cash " or " Cash in the House."

The student should observe that the Cash Account and Bank Account in the Ledger are merely Ledger accounts kept separate from the Ledger for the purpose of convenience. The Cash Book is made a " book of original entry " for Cash and Bank items, thus obviating the necessity of passing these transactions through the Journal, which was at one time the only " book of original entry."

The Discount columns in the Cash Book do ***not*** form a Ledger Account. They are merely memorandum columns. They save journalising the discount transactions, since the items in them are posted to the debit or credit of the personal accounts ***in detail***, and the *totals* are posted to the corresponding credit or debit of the Discount Accounts (**Golden Rule IV**).

From the following imaginary transactions a Cash Book will be drawn up as a model; and the postings into Ledger explained :—

Date. 19..		£	s.	d.
Jan. 1	Started business with Cash in hand	600	0	0
,, 2	Paid into Bank	560	0	0
,, 4	Paid Wm. Brown by cheque	247	10	0
	Discount allowed by him	2	10	0
,, 7	Sold Goods for Cash	10	12	6
	Paid for Wages in Cash	15	7	6
,, 10	Received from J. Jones by cheque*	98	0	0
	Allowing him discount	2	0	0
,, 12	Paid into Bank	100	0	0
,, 15	Paid Rent by cheque	20	0	0
	Paid for Stationery in Cash	3	5	0
	Bought Goods and paid Cash	17	5	6
,, 16	Drew from Bank for own use	10	0	0
	Paid F. Smith by cheque	37	12	6
	He allowed me discount	1	7	6
,, 18	Received from H. Robinson and paid into Bank	143	15	0
	Allowed him discount	2	5	0
,, 19	Drew from Bank for Office	25	0	0
,, 24	Paid Salaries in Cash	12	10	0
	Received for Cash sales	17	4	6
,, 27	Bought Goods by cheque	24	12	6
	Paid for Office Expenses, Cash	5	7	6
,, 29	Received from Geo. Thompson, cheque ..	71	15	0
	Allowing him discount	3	5	0
,, 30	Paid into Bank	71	15	0

For the transactions on Jan. 2, 12, and 30, Bank will be debited, because it *receives*; and Office Cash will be credited, because it *gives*. For the transaction on Jan. 19, opposite entries will of course be made.

* N.B.—Cheques received are to be considered as Cash.

Dr. **CASH.** **CONTRA.** Cr.

Date	Receipts.	L.F	Discount.	Office Cash.	Bank.	Date	Payments.	L.F.	Discount.	Office Cash.	Bank.
19.. Jan.						19.. Jan.					
1	To Capital			600 0 0		2	By Bank			500 0 0	
2	,, Office Cash				560 0 0	4	,, W. Brown		2 10 0		247 10 0
7	,, Goods (R.M.)			10 12 6		7	,, Wages			15 7 6	
10	,, J. Jones		2 0 0	98 0 0		12	,, Bank			100 0 0	
12	,, Office Cash				100 0 0	15	,, Rent				20 0 0
18	,, H. Robinson		2 5 0		143 15 0	,,	,, Trade Charges			3 5 0	
19	,, Bank			25 0 0		,,	,, Goods (R.M.)			17 5 6	
24	,, Goods			17 4 6		16	,, Drawing a/c				10 0 0
29	,, G. Thompson		3 5 0	71 15 0		,,	,, F. Smith		1 7 6		37 12 6
30	,, Office Cash				71 15 0	19	,, Office Cash				25 0 0
						24	,, Salaries			12 10 0	
						27	,, Goods				24 12 6
						,,	,, Trade Charges			5 7 6	
						30	,, Bank			71 15 0	
						31	,, Balance in hand	c/d			510 15 0
			£7 10 0	£822 12 0	£875 10 0				£3 17 6	£822 12 0	£875 10 0
Feb. 1	To Balance in hand	b/d		37 1 6	510 15 0						

To post this Cash Book to the Ledger proceed as before by crediting all the accounts mentioned on the Dr. side of Cash Book, using the words "By Cash." The accounts of J. Jones, H. Robinson, and G. Thompson will also require to be *credited* with the amount of discount standing to each name in the Cash Book. The credit side of Cash Book will, of course, be treated in exactly the opposite manner.

The "Discounts" have also to be entered into a Discount Account in the Ledger, the posting being as follows :—

The totals will be posted into the Discount Account on the *same* side as they appear in the Cash Book; thus, £7 10s. will be entered to the debit of "Discount," and £3 17s. 6d. to the credit of "Discount," the first amount representing losses and the second gains.

Should the Cash Book totals be passed through the Journal they will be as follows :—

JOURNAL.

		L.F.	Dr.			Cr.		
19.. Jan. 31	Cash Dr. To Sundries Being Cash received during the month, the Credits of which have been posted separately from C.B. fol. 38 ..		797	12	0	797	12	0
	Sundries Dr. To Cash Being Cash paid during the month, the Debits of which have been posted separately from C.B. fol. 38 ..		53	15	6	53	15	6
	Bank Dr. To Sundries Being Cash paid in during the month, the Credits of which have been posted separately from C.B. fol. 38 ..		143	15	0	143	15	0

JOURNAL—*continued.*

19..		L.F	Dr. £	s.	d.	Cr. £	s.	d.
Jan. 31	Sundries Dr. To Bank Being Cash drawn out during the month, the Debits of which have been posted separately from C.B. fol. 38 ..	–	339	15	0	339	15	0
	Bank Dr. To Cash Being Transfers from Cash to Bank ..		731	15	0	731	15	0
	Cash Dr. To Bank Being Transfers from Bank to Cash ..		25	0	0	25	0	0
	Discount* Dr. To Sundries Being Discounts allowed by me during the month, the Credits of which have been posted separately from C.B. fol. 38 ..		7	10	0	7	10	0
	Sundries Dr. To Discount* Being Discounts allowed to me during the month, the Debits of which have been posted separately from C.B. fol. 38 ..		3	17	6	3	17	6

* If the discount totals are passed through the Journal in this way, they *must not* be posted direct from Cash Book (see page 39).

The Ledger entries of this Cash Book will appear as shown on the following pages. Accounts for Cash and Bank have been opened in Ledger simply to agree with the "Closing Entries," as above, otherwise they would not be necessary.

Dr CAPITAL ACCOUNT. Cr.

						19.. Jan. 1	By Cash -	38	600	0	0

Dr. DRAWING ACCOUNT. Cr.

19.. Jan. 16	To Cash -	38	10	0	0							

Dr. GOODS ACCOUNT. Cr.

19... Jan. 13	To Cash -	38	17	5	6	19.. Jan. 7	By Cash -	38	10	12	6
,, 27	,, ,, -	,,	24	12	6	,, 24	,, ,, -	,,	17	4	6

Dr. J. JONES. Cr.

						19.. Jan. 10	By Cash -	38	98	0	0
						,, ,,	,, Discount-	,,	2	0	0

Dr. H. ROBINSON. Cr.

						19.. Jan. 18	By Cash -	38	143	15	0
						,, ,,	,, Discount-	,,	2	5	0

Dr. G. THOMPSON. Cr.

						19.. Jan. 29	By Cash & Dis. (£3 5s.)	38	75	0	0

Dr. W. BROWN. Cr.

19.. Jan 4	To Cash -	38	247	10	0							
,, ,,	,, Discount	,,	2	10	0							

Dr. F. SMITH. Cr

19.. Jan. 16	To Cash & Dis. (£1 7s. 6d.)	38	39	0	0							

Dr. WAGES AND SALARIES ACCOUNT. Cr.

19..						19..					
Jan. 7	To Cash -	38	15	7	6						
,, 24	,, ,, -	,,	12	10	0						

Dr. RENT ACCOUNT. Cr.

19..						19..					
Jan. 15	To Cash -	38	20	0	0						

Dr. TRADE CHARGES ACCOUNT. Cr.

19..						19..					
Jan. 15	To Cash -	38	3	5	0						
,, 27	,, ,, -	,,	5	7	6						

Dr. DISCOUNT ACCOUNT. Cr.

19..						19..					
Jan. 31	To Sundries C. B.	38	7	10	0	Jan. 31	By Sundries C. B.	38	3	17	6

Dr. CASH ACCOUNT. Cr.

19..						19..					
Jan. 31	To Sundries	38	797	12	0	Jan. 31	By Sundries	38	53	15	6
,, ,,	,, Bank -	,,	25	0	0	,, ,,	,, Bank -	,,	731	15	0

Dr. BANK ACCOUNT. Cr.

19..						19..					
Jan. 31	To Sundries	38	143	15	0	Jan. 31	By Sundries	38	339	15	0
,, ,,	,, Cash -	,,	731	15	0	,, ,,	,, Cash -	,,	25	0	0

The balance at Bank shown in the Bank column should, of course, agree (or be made to agree or "reconcile") with the Pass Book balance. This will not always appear to be the case, for sometimes cheques, etc., paid into Bank by us have not yet been credited to our account by the Bankers; or cheques issued by us have not yet been presented for payment. Then "reconcile" as follows:—

To the Bank Balance, as shown by the Pass Book, *add* cheques and money paid in by us, and not yet credited, then

deduct cheques outstanding against us, which have not yet been debited ; the result will then agree with the Bank balance as shown in our Cash Book.

This "reconciliation," of course, refers only to actual business ; the agreement or non-agreement of Bank Account balance with Pass Book will not affect the Trial Balance.

The following is an example of a Bank Reconciliation Statement :—

Balance in Bank as per Bank Pass Book ..	£476	12	6
Less Cheque unpresented—F. Smith ..	37	12	6
	£439	0	0
* Add Cheque not cleared—G. Thompson	71	15	0
Balance as per Bank Account	£510	15	0

Exercise VI.

College of Preceptors.

BOOK-KEEPING.

[*Time allowed*, 1½ *hours.*]

1. What transaction is recorded by each of the following Postings ?—

(*a*) Cash Dr. to Goods	£83	11	9
(*b*) Brown T., Dr. to Bank	100	0	0
(*c*) Goods Dr. to Roberts R.	40	0	0
(*d*) Cash Dr. to Williams T.	200	0	0
Bank Dr.	45	0	0
Discount Dr...	5	0	0
(*e*) Jones K., Dr. to Goods	37	2	0
(*f*) Goods Dr. to Cash	5	0	0

2. Enter the following Transactions of a Firm into the Journal and Cash Book, and transfer these Entries into the Ledger. Then balance the Ledger.

* The expression "not cleared" means that we have not yet been credited by our Bankers with Thompson's cheque, because it has not yet been "cleared" by the Bankers' Clearing House, which, on behalf of our Bankers, presents the cheque to Thompson's Bankers, by whom it may, for various reasons, be "dishonoured," in which case it would be worthless.

19..							
Jan.	1	The Firm have on hand :—					
		Cash	£200				
		Goods worth	2420				
		Premises worth	1500				
		Cash at Bank	1800				
,,	1	Buy Goods from T. Inde & Co.		£225	0	0	
,,	3	Sell Goods to Dansie & Co.		360	0	0	
,,	4	Kneller & Co. sell Goods		234	5	6	
,,	5	Deans & Co. purchase Goods		104	0	0	
,,	7	Place in Bank		104	0	0	
,,	9	Pay T. Inde & Co., by Cheque		220	0	0	
		By Discount allowed		5	0	0	
.	12	Withdrew Cash from Bank		180	0	0	
,,	13	Goods received from King & Co.		248	12	0	
,,	14	Firm sell Goods to Dansie & Co.		117	5	9	
		,, ,, Deans & Co.		213	4	7	
		,, ,, Dansie & Co.		72	0	0	
,,	15	Cheque forwarded to Kneller & Co.		134	5	6	
,,	16	Sell Goods to Deacon & Co. for Cash		77	9	5	
		for Credit		100	0	0	
,,	17	Cheque received from Deacon & Co.		70	0	0	
,,	20	Dansie & Co. pay by Cash		110	0	0	
		And are allowed discount		7	5	9	
,,	21	Carpenter's a/c for new Desks paid, by Cheque ..		23	4	6	
		Paid by Cash to King & Co.		140	0	0	
,,	31	Monthly Cash Sales		82	17	9	
		Incidental Expenses paid by Cash		50	7	2	
		Goods on hand at end of month valued at £2500.					

CHAPTER XI

PURCHASES AND SALES

Up to this point the only books considered have been the Cash Book, Journal, and Ledger. It will, however, be readily understood by the student that in a Wholesale House it would be very inconvenient, besides being to a great extent impracticable, that all transactions other than Cash should be passed through the Journal. A Wholesale House will buy and sell largely, and if every purchase and sale be recorded in the Journal as it happens, and then posted (as it must be) into the Ledger, not only will much valuable time be wasted, but the Goods Account in the Ledger would be very large. To remedy this, two other books are used in every trading house: one for Credit Purchases and the other for Credit Sales.

Even the Ledger may be sub-divided into "Bought Ledger" and "Sales Ledger," the former containing the postings relating to Goods *bought*; the other those relating to Goods *sold*. These Ledgers also are often sub-divided (especially the *Sales* Ledger) in alphabetical sections, *e.g.*, Ledger A to D, Ledger E to H, and so on. Such sub-divisions are absolutely necessary in large business houses to enable the work to be done properly, a different clerk (or assistant book-keeper) being appointed to each section, for which he will be responsible to the head; but at the same time he need know nothing about the work of the other clerks.

The Purchases and Sales Books are usually ruled alike (the latter being the larger). There should be a date column, a Ledger folio column, and two money columns, like a Journal. The first money column will contain the amount of each item sold (or bought) and the second column will contain the *total*, used for posting purposes.

Specimen Entries in Sales Book.

19..								
Jan. 4	F. Smedley, Peterborough							
	10 chests Tea @ £10		100	0	0			
	40 bags Coffee @ £5 10/-		220	0	0			
	12 cwt. Soap @ 22/-		13	4	0			
	2 tons Soda @ 69/-		6	18	0			
						340	2	0
„ 5	Henry Long, Doncaster							
	100 gals. Port @ 15/-		75	0	0			
	50 do. Brandy @ 25/-		62	10	0			
						137	10	0
Jan. 5 to 31	*Other entries amount to* ..					2028	16	0
	Total for the month ..					2506	8	0

In posting the Sales Book into the Ledger, first debit each personal account with the amount in the second column, and at the end of the period (one month or perhaps three months) *credit* the Goods or Sales Account with the total of the amounts posted to the personal accounts, that is, with the total of the second column, the credit being thus equal to the sum of the debits **(Golden Rule IV).**

The accounts in the Ledger would appear thus :—

F. Smedley's (on *Dr.* side) Jan. 4. To Goods £340 2s. 0d.
H. Long's „ Jan. 5. To Goods £137 10s. 0d.

The other personal accounts, making up the total of £2,028 16s., would also be debited, and the Goods (or Sales) Account would have a credit entry 31st Jan., By Sundries £2,506 8s.

Specimen Entries in Purchase Book

19..								
Jan. 1	W. Brown, Derby ..					94	0	0
„ „	E. Gregson, Cork ..					171	0	0
„ 2	R. McGregor, Glasgow					14	10	0
Jan. 3 to 31	*Other entries amount to* ..					1714	12	6
	Total for the month ..					1994	2	6

The Purchases Book is entered up from the invoices for goods received, and as the invoices are a standing record it is not necessary to repeat the details in this book. Accordingly, most persons enter only the date, name, and amount, as shown in the preceding specimen. Others, however, take the trouble to give more particulars, even to enter it as fully as the Day Book.

The Invoice Book will (**Golden Rule I**) be posted in exactly the opposite manner to that for the Day Book, *i.e.*, by crediting each personal account, and debiting the Goods Account (or Purchases Account).

If it is desired to pass the totals through the Journal, the entries in that book will be as follows :—

For the Sales Book.

Sundries Dr.

To Goods Sold (or Sales).

The debits having been already posted as per D.B., fol.....

For the Purchases Book.

Goods Bought (or Purchases) Dr.

To Sundries.

The credits having been already posted as per I.B., fol.....

When the Day and Invoice Books are used, the separate transactions entered in these books will not be entered in the Journal also. The entries in the Journal will, therefore, be considerably lessened. It should be used for such entries as cannot be passed through the other books in readiness for the Ledger.

The Day and Invoice Books are really Journals set out in slightly different form for convenience and labour-saving. In the Day Book the *debits* are posted *in detail* to the personal account, and the *credit* in total to the impersonal account. The Invoice Book is posted *in detail* to the *credit* of the personal account, and the total is debited to the impersonal account (**Golden Rule IV**). In practice these books are

commonly known as the *Sales Journal* and the *Purchases Journal.*

Exercise VII.

To be passed through Cash Book Purchases Book, and Sales Book, and posted to Ledger. As there are no Bank transactions, the simple form of Cash Book with Discount columns will be used.

19..

Feb. 1. Jonathan Jenkins starts business with £1,000 cash :

Feb. 2	Bought Goods of Wm. Phipps	125	0	0
	Sold Goods to Jas. Scott	79	10	0
	,, for Cash	25	12	6
,, 4	Bought Goods of S. Leathley	245	19	0
	Paid him on a/c	120	0	0
,, 7	Paid Wages	10	0	0
	Sold Goods to Jas. Brown	75	15	0
	Paid Wm. Phipps	124	5	0
	And was allowed discount		15	0
,, 9	Bought Goods of Wm. Brown for Cash ..	24	12	6
	Sold Goods to F. Robinson	84	15	0
,, 12	Paid S. Leathley	50	0	0
	Jas. Brown paid me	50	0	0
	And was allowed discount		15	0
,, 14	Paid for Postage, Stationery, etc.	1	12	6
	Paid Wages	7	10	0
,, 16	Bought Goods for Cash	25	14	9
	Sold Goods to Matthew Jones	95	17	6
	Sold Goods for Cash	17	12	6
	Paid Gas a/c	3	15	9
,, 18	Paid Premium of Insurance..	7	15	0
,, 19	J. Jenkins took Cash for his own use ..	10	0	0
	Ready money sales	17	15	9
,, 21	Bought of J. Williams, Goods	94	17	8
	Paid him on a/c	50	0	0
	Discount allowed me	1	15	0
	Paid Wages	9	15	0
,, 23	Bought Goods for Cash	19	10	0
	Sold Goods to F. Robinson	28	19	4
	F. Robinson paid me..	48	10	0
	Allowed him discount	1	10	0
,, 25	Paid Taxes	4	10	0
,, 27	Paid Sundry Expenses	3	17	4
,, 28	Ready-money sales	25	14	2
	Paid Wages to date	10	4	6
	Goods on hand at this date	300	0	0

CHAPTER XII.

BAD DEBTS, PROFITS AND LOSSES.

FEW businesses can be carried on, however carefully the accounts of credit customers may be looked after, without some accounts becoming in whole or in part irrecoverable. These irrecoverable accounts become known as *Bad Debts*, and as they are lost to the business they must, in common with other losses and expenses, be written off ; that is to say, they must be deducted from the profits made, so as to show in the Profit and Loss Account the actual net gain realised.

To effect this, an account is opened in the Ledger under the title "Bad Debts," and to this account any such irrecoverable debts are transferred, the Bad Debts Account being debited, and the account of the debtor being credited. The preliminary Journal entry would be :—

Bad Debts Dr.
To A. B.....

At balancing time any amount standing to the debit of Bad Debts must be transferred to the Profit and Loss Account in common with the other losses and expenses.

It is desirable in all cases for a trader to know for what purposes the expenses of his business are incurred, and likewise to be able to compare the details of the expenses of one trading period with another. To enable him to do this, separate Ledger accounts for such items of expense as, for example, Wages, Salaries, Rent, Rates and Taxes, and the various incidentals under the general heading of Trade Charges, should be opened. All these accounts will show losses, but if they were all lumped together under one heading, *e.g.*, "Trade Charges," no clear record would appear as to how they had arisen.

It is, therefore, necessary to open such accounts as the following :—

5—(1350)

(*a*) *Wages.* For all wages paid or due to workmen and others.

(*b*) *Salaries.* For all remuneration paid or due to management, clerks, etc.

(*c*) *Rent, Rates and Taxes* are usually entered under one heading.

(*d*) *Trade Charges*, such as Postage, Stationery, and other out-of-pocket expenses.

(*e*) *Gas Account.*

(*f*) *Insurance of Premises Account.* These two (Gas and Insurance) could, if desired, be included under heading (*c*).

(*g*) *Repairs.* Cost of keeping Premises, Plant, Machinery, etc., in good or workable condition.

(*h*) *Wear and Tear or Depreciation.* Actual loss of value of Furniture, Premises, Machinery, Plant, etc., due to constant usage or to effluxion of time.

(*i*) *Bad Debts.* Arising through insolvency of one or more debtors of a firm.

The above would, as a rule, represent losses. Other accounts representing either losses or gains according to circumstances, would be :

(*j*) *Interest. Losses* when charged on Capital, on Loans or Mortgages against the firm, on renewed bills against the firm, on Bank overdrafts, and so on. *Gains* when charged on Partners' drawings, on bills renewed in favour of the firm, on loans to others, etc.

(*k*) *Discounts. Losses* when allowed to others for payment of money before it is due ; or when allowed to wholesale purchasers off invoiced price of goods. *Gains* when allowed to us by others for payment before due date, and so on.

(*l*) *Commission. Losses* when charged to us by others for work done. *Gains* when charged by us as agents for others.

(*m*) *Dividends* arising from investments.

N.B.—When investments are realised the difference between the two sides will show a profit or a loss according as the credit or debit side respectively is the heavier.

Besides the above, and others, there will usually be a profit on the goods and other property sold by a firm.

All such items as these will require Ledger accounts; and should be shown *in extenso* in drawing up a Profit and Loss Account.

Of course, only the *balance* of each account, combining gains and losses, will be shown in the Profit and Loss Account, except in the case of Discount. It is advisable that both "Discount *allowed*" and "Discount *received*" should be shown separately on the debit and credit sides respectively of the Profit and Loss Account as the information given by this procedure is much more valuable than when the balance only is transferred. In many cases, separated Ledger accounts are kept for each of the two classes of Discount.

The method of ascertaining the amount of profit or loss made by the sale of goods has already been dealt with. There are, however, various ways in which this can be discovered. The following is a common method. After the Trial Balance has been prepared compare the value of Goods remaining on hand, as found by stocktaking, with the balance of the Goods Account as shown in the Trial Balance. If the value of unsold goods exceeds the balance of the Goods Account the difference is the profit. If, on the other hand, the value of the unsold goods is less than such balance, the difference is loss.

Again, if the balance of Goods Account in the Trial Balance is a credit balance, and there are no goods on hand that credit balance is the profit; but if there are goods on hand the profit is the amount of the credit balance plus the value of unsold stock. This matter will be further dealt with when we come to speak of Trading Accounts in a subsequent chapter.

Exercise VIII.

Make out Cash Book containing separate columns for Cash in Office and Cash in Bank. Purchases and Sales Books to be used, the Journal only where necessary.

19..				
Mar. 1	Jonathan Jenkins continues business from last month (see Exercise VII) by paying into Bank out of balance in hand the sum of	500	0	0
,, 2	Sold Goods to J. Scott	110	0	0
	Received from Scott on account and paid into Bank	50	0	0
,, 6	Bought Goods for Cash	12	15	0
	Sold Goods to F. Robinson	45	12	0
	F. Robinson paid me Cash	73	15	0
	Allowed him Discount	1	5	0
	Paid Cash Sundry Expenses..	4	10	0
	Sold Goods to M. Jones	64	17	9
	Paid in Cash freight and other expenses chargeable to Jones	3	12	4
,, 7	Paid Wages in Cash	9	10	0
	,, Salaries by Cheque	10	0	0
,, 9	Bought Goods of S. Leathley	94	12	6
	Paid S. Leathley on account by cheque ..	97	10	0
	Allowed Discount by him	2	10	0
,, 12	Paid J. Williams by cheque..	20	0	0
	Drew from Bank Cash	15	0	0
,, 14	Paid Wages in Cash	10	0	0
	Bought of Wm. Phipps Goods	75	12	6
.. 15	J. Jenkins took Goods for his own use, at cost price	12	10	0
	Drew from Bank for self	17	10	0
.. 16	Sold Goods to M. Jones	142	18	0
	M. Jones paid me Cash on a/c	94	17	10
.. 18	Paid into Bank	100	0	0
	Charged by Bank for Cheque Book.. ..		8	4
	Received from Jas. Brown	12	10	0
	Write off the balance of Jas. Brown's a/c as a bad debt	12	10	0
.. 21	Paid Wages in Cash	9	15	0
	Ready-money Sales	17	12	6
.. 24	Ready-money Purchases	25	17	4
	Sold Goods to Jas. Scott	45	9	6
.. 28	Paid Wages in Cash	9	15	0
	Paid to J. Richards Rent to date by cheque	25	0	0
	Drew Cheque for office use	10	0	0
,, 30	Paid for Repairs in Cash	4	15	0
	Paid Trade Expenses in Cash	7	5	0
	Cash Sales	45	10	0
	Paid into Bank	40	0	0
	Stock on hand	150	0	0

CHAPTER XIII.

BILLS OF EXCHANGE.

ACCORDING to the Bills of Exchange Act, a bill is "An unconditional order in writing addressed by one person to another requiring the person to whom it is addressed to pay on demand or at a fixed and determinable future time a sum certain in money to or to the order of a specified person or to bearer."

Bills are either *Inland* or *Foreign*. An Inland bill is one drawn upon a person resident in the same country as the drawer. A foreign bill is one drawn by a person resident in one country upon a person resident in another country. Inland bills are, as a rule, made payable at a certain period "after date," whilst foreign bills are made payable at a period "after sight."

In the United Kingdom all bills are liable to stamp duty. Those payable at sight, or on demand, pay a duty of one penny, whatever the amount. The same duty is payable upon those drawn and payable at not more than three days after date or sight. All other bills and all promissory notes are subject to an *ad valorem* duty, that is, a duty varying with the amount of the bill. The rates are as follows :—

Not exceeding £5	1d.
Exceeding £5, and not exceeding £10 ..	2d.
„ £10, „ „ £25 ..	3d.
„ £25, „ „ £50 ..	6d.
„ £50, „ „ £75 ..	9d.
„ £75, „ „ £100 ..	1s.
Exceeding £100 for every £100 and for any additional fractional part of £100 ..	1s.

Bills drawn in the United Kingdom, except only those liable to a penny duty, must be drawn upon paper with the stamp of proper value embossed thereupon. When the duty is one penny an ordinary penny stamp may be used for its discharge.

Bills drawn out of, but made payable in, the United Kingdom are liable to the same duty as above. This is discharged by a special form of adhesive stamp called foreign bill stamp. The person first dealing with the bill in the United Kingdom is responsible for the duty. To provide for the case of bills drawn and payable out of, but negotiated or otherwise dealt with in, the United Kingdom, a special rate of duty is imposed. If the amount is between £50 and £100, the duty is 6d. Over £100, for each complete £100, and for every fractional part of £100, 6d. It must be clearly understood that this lower duty does not in any case apply to bills drawn in the United Kingdom.

A promissory note, which has been incidentally alluded to above, is essentially the same as a bill, differing only in form. A bill originates with the person who is to receive the money, while a promissory note originates with the person who is to pay it. So far as the book-keeping is concerned both documents are treated in identically the same way.

The parties to a bill, sometimes in its first stage called a *draft*, are the *drawer*, the *payee*, and the *drawee*. When the form of the bill is "Pay to me or my order," the drawer and the payee are the same person. The drawee, or person on whom the bill is drawn, after having accepted it, is called the *acceptor*, and the document itself becomes known as the *Acceptance*.

The parties to a promissory note are the *maker* and the *payee*. This instrument is complete when it is signed by the maker and handed to the payee. A bill, or draft, is not complete until the drawee has accepted it. This is done by his writing across the face of the bill the word "*Accepted*," with his signature, thereby indicating his willingness to pay it when it becomes due. It is usual to add the date of acceptance, but this is only essential when the bill is payable at a period "after sight," when the date of acceptance indicates the date from which the time named in the bill, technically known as its *currency*, begins to run. In the United Kingdom and the Colonies, and in some other countries, but not universally, an additional three days, called *days of grace*, are added to the currency of all bills and promissory notes, except those payable at sight or on demand. Originally this small extension of time was, as its name implies, an act of *grace*; now,

however, it is not so. Like many other customs this one has been crystallised into law.

The forms of a bill and of a promissory note are as follows :—

A Bill of Exchange or Draft.

£88. 7. 6 London, 1st January, 19

(1/- Stamp) Three months after date pay to me or my order the sum of Eighty-eight pounds, seven shillings and sixpence, for value received

To Charles Frost.

Mr Frederick Smart

A Promissory Note.

£88. 7. 6 London, 1st January, 19

(1/- Stamp) Three months after date I promise to pay to Mr Charles Frost, or his order, the sum of Eighty-eight pounds, seven shillings and sixpence, for value received.

Frederick Smart.

According to the foregoing table, both these documents would have to be written upon a form impressed with an Inland Revenue stamp, value one shilling.

Across the face of the first form Frederick Smart would write the word "Accepted" and sign his name, thus making it an acceptance. The bill then goes back to the drawer.

A bill drawn in either of the above forms is a negotiable document; that is to say, it may be disposed of by endorsement to a third person, to whom it would then become payable, instead of to the original holder, and he may again endorse it over to a fourth person, and so on.

The acceptor is always the person who is primarily liable for the payment of a bill; and when the payee, by endorsement, transfers the bill to another, he becomes liable, with the acceptor, to the holder of the bill, and so does every subsequent endorser, the security thus increasing with each endorsement. The maker of a promissory note occupies a similar position to the acceptor of a bill, being the person primarily liable; that is to say, it is only in the event of his failing to meet the note that the endorsers are called upon to pay.

A month must always be taken to mean a calendar month, and the days of grace are allowed beyond the period mentioned in the bill; the day upon which the bill is drawn not being reckoned. The bill is not considered to be due until the third day of grace. Therefore the bills which we have given above would become due on the 4th of April.

When the last day of grace falls upon a Sunday, Good Friday, Christmas Day, or a public fast or thanksgiving day, the bill is payable on the previous day; but when it falls upon a public holiday which is held on a Monday, or on the day after Christmas Day, it is considered to be due on the day following.

There are many advantages in the employment of bills in commercial transactions. One of the chief of these is, that while the debtor enjoys his full period of credit—say three months,—the merchant does not require to lie out of his money for that time; as, by taking the bill to his Bankers, he can, if he is in good repute, for a trifling charge, have the amount placed to his credit at once. The bill being endorsed over to the Bankers, they have the security of both the drawer and the acceptor. This operation is termed *Discounting*.

Another advantage is that, as the bill is an acknowledgment of debt, there can be but few defences to an action at law founded upon a bill. As a matter of fact, there are but three that can be pleaded: (1) the absence of consideration, *i.e.*, that no value was received; (2) that the bill was obtained by fraud; and (3) that it was given in pursuance of an illegal

contract, and therefore for an illegal consideration. But these defences cannot be maintained against an innocent holder who has purchased the bill from the original possessor, or other endorser of it. Where the defendant insists on fraud as a defence, he must, on the discovery of the fraud, have entirely repudiated the contract, and retained no benefit under it.

A bill is debited or credited in the account of the drawer or the acceptor when it is accepted or received, and not when it is paid. The reason of this is, that, as just stated, a bill when accepted becomes a negotiable document, and may be discounted or otherwise disposed of. When a bill falls due and is paid, it is simply a matter between the Bill account and the Cash or Bank account; no other accounts are affected. There are several expressions used to signify that a bill has been paid; thus it is said to have been "met," "honoured," "taken up," "redeemed," or "retired."

It is not necessary to present a bill for payment when due. The acceptor of a bill, or maker of a promissory note, is always liable after it is due, whether it has been presented or not; but it is absolutely essential, in order to make *other parties* (*i.e.*, endorsers) liable, that the bill be presented to the person primarily liable on the day when it falls due. The place where the bill may be presented depends upon the form of acceptance. There are two modes of acceptance as regards place: (1) the general acceptance by writing the word "Accepted," and signing the acceptor's name; and (2) by adding after the word "Accepted" the address where the acceptor wishes to pay it; thus "Accepted, payable at Messrs. Barclay, Bevan & Co.'s Bank, Frederick Smart."

A bill accepted in the first-named manner must be presented to the acceptor at his house or place of business. The presentment need not be personal; it is sufficient if the bill be shown to a servant or clerk of the acceptor, so long as it is at either of the places just mentioned.

A bill accepted in the latter manner may be presented either at the bank named, or at his house or business address; but in order to make the endorsers liable, it is necessary to present it at the place specified on the face of the bill, and on the day when it falls due.

Foreign bills are drawn in sets of two or three, each being identical with the others except the words, "first," "second,"

and "third," which, of course, are interchanged. The form of a foreign bill, drawn in a set of two, would be as follows :—

Form of a Foreign Bill.

EXCHANGE FOR £500: 0 : 0

January 1st, 19

£1 Stamp

At Four months sight pay this first of Exchange
second unpaid to the Order of Messrs Dyer Wallace & Co
the sum of Five Hundred pounds sterling
Value in account which place to Account.
To Messrs Watkin Bruce & Co.
Bombay.

Harriss Brothers.

Form of a Foreign Bill (second of Exchange).

EXCHANGE FOR £500: 0 : 0

London. January 1st, 19

At Four months sight pay this second of Exchange
first unpaid to the Order of Messrs Dyer Wallace & Co
the sum of Five Hundred pounds sterling.
Value in account which place to Account.
To Messrs Watkin Bruce & Co.
Bombay.

Harriss Brothers

One only, the first to reach the drawee, would be accepted, the other, unless it is endorsed, being of no further value.

As the bill here given is drawn in London upon a person in Bombay, and will be payable there, to forward it to Bombay for acceptance, to have it returned to London completed, and then again to send it to Bombay for payment, would involve a very considerable loss of time, and in the end the amount it represents would have to be transmitted from Bombay to the holder of the bill.

To avoid this, the bill will in the first place (as in our example) either be made payable to some one in India, or will, if payable to the drawer, be endorsed by him to some such person.

If the drawer has no use for his money in India, having no payments to make there, he will sell the bill at the current rate of exchange to anyone who is willing to purchase it, receiving cash in return. In fixing the rates of exchange with foreign countries, the term bills have to run is taken into consideration, so that the item of discount does not appear, otherwise the operation is very much the same as discounting an inland bill.

In journalising foreign bills, the future acceptance is assumed, and as soon as the document is negotiated it makes its appearance in the books. The Journal entries for the bill used as an illustration would be :—

Bills Receivable Dr.

To Watkin, Bruce & Co.

Dyer, Wallace & Co. Dr.

To Bills Receivable.

and the same entries would be made if, instead of the bill having been made payable to Dyer, Wallace & Co., it had been endorsed by the drawer to them.

It is important to note that, whilst promissory notes are of the same nature as Bills of Exchange, and are recorded in the books of a business in the same manner, they differ from them in several respects. For instance, promissory notes are not "presented for acceptance," nor are they "accepted." They are not drawn in "sets." A foreign "note" need not be protested on dishonour, whilst a dishonoured foreign "bill" must be. There is also a difference in the stamp duty payable. A Bill of Exchange "on demand" bears a penny stamp, but a promissory note, whether "on demand" or otherwise, must bear an *ad valorem* stamp calculated in accordance with the scale shown on page 53.

A cheque, according to the statutory definition, is a "Bill of Exchange drawn on a Banker payable on demand" and consequently needs only a penny stamp.

CHAPTER XIV.

BILLS OF EXCHANGE—(*continued*).

BILLS, in book-keeping, divide themselves into two classes, or accounts. They are either bills *payable* or bills *receivable*. Moreover, every individual bill is in itself both payable and receivable.

In its book-keeping sense, a bill which I have *accepted*, and so made myself liable to pay, is, so far as I am concerned, a bill *payable*, while a bill which is accepted by *anyone else*, and which has come into my possession, is to *me* a bill *receivable*. I may or may not be the drawer of the latter; that is immaterial. The essential points are that it is duly accepted by some one other than myself, and that it is honestly in my possession.

Bills whether receivable or payable do not appear in the Cash Book until they become due or until they are paid previously. They are said to have *matured*, or to have reached *maturity*, when the full term of the bill (including the three day grace) has expired. When the money for a bill has been either received or paid, whether at or before maturity, a Cash Book entry becomes necessary. If it is a bill *receivable*, the Cash, or Bank, is *debited*, the entry being "To Bills Receivable." If it is a bill *payable*, Cash or Bank is credited, the entry being "By Bills Payable." When I hold a bill receivable I may deal with it in several ways. I may keep it until it is due and then present it for payment to the acceptor or to his banker; I may, in the course of business, hand it to some one else, in which case I must endorse it, so transferring my right in it to the person to whom I hand it, as in the case of a cheque payable to order; or I may *discount* it; that is, I may sell it to my banker or to a bill discounter for what it is worth at the present time considering that the buyer will have to wait for the return of the money he gives for it until it matures. When discounting a bill the discounter takes off interest on its amount, at the agreed rate, for the time which has to run until the bill becomes due. This is called *banker's*

discount. True discount, as set out in works on arithmetic, is unknown in financial practice.

It must be carefully borne in mind that it is the signature accepting a bill which gives it its value. No Journal entry is made until it is accepted. When the bill is a foreign bill, however, this rule does not apply. Thus, when a merchant sends out a bill for acceptance, he does not say "This bill has gone out, therefore it is *Cr.*," but when the accepted bill comes back he says, "This bill has come in and is therefore *Dr.*" What went out was not a real bill, but only a form for acceptance; what came in was a completed, accepted bill. Let the pupil remember that the acceptor of a bill is always the person who has to pay it, and the drawer or holder of a bill the person who has to receive it.

We will now make a few entries, introducing bill transactions.

19..				
Jan. 12	Drew a bill on James Graves at 3 months, which he has accepted	115	10	0
	John Niven has drawn on me at 3 months, and I have accepted	401	0	0
„ 13	Henry Rutter has given me his acceptance at 2 months	77	3	0
	Accepted Donald Grant's bill on me at 4 months . .	122	4	0
Jan. 14	Simon Fraser has accepted my bill on him at 6 months	98	12	0
	Gave George Lees my acceptance at 3 months —	163	9	0

A careful examination of these entries will show that the first, third, and fifth state precisely similar transactions, but in different forms of words. The facts recorded in the second, fourth, and sixth entries are also of an identical nature. The student must not be misled by any difference in the wording of entries, as there are many ways of expressing the same thing, but must grasp the actual facts of each case, and apply his rules thereto.

The following would be the Journal entries for the preceding Waste Book entries :—

19..								
Jan. 12	Bills Receivable Dr. To James Graves		115	10	0	115	10	0
	John Niven Dr. To Bills Payable		401	0	0	401	0	0
„ 13	Bills Receivable Dr. To Henry Rutter		77	3	0	77	3	0
	Donald Grant Dr. To Bills Payable		122	4	0	122	4	0
„ 14	Bills Receivable Dr. To Simon Fraser		98	12	0	98	12	0
	George Lees Dr. To Bills Payable		163	9	0	163	9	0

It will be seen that the same rules for journalising which apply to goods and cash apply equally to bills. Thus, in the first entry, the accepted bill came in, and is therefore *Dr.*; James Graves was the deliverer of it, and so his account must be *Cr.* In the next entry John Niven was the receiver of an acceptance which went out, therefore Niven's account must be *Dr.* to the bills account; and so on with the others. An intelligent application of the rules given will solve every difficulty connected with journalising.

We will now introduce a few more bill transactions.

19..							
Jan. 15	Gave Ernest Andrews my acceptance at 3 months	100	0	0			
	and Cash	25	0	0	125	0	0
	Received from John Birch— 25 cwt. Sugar, @ 24s. (returned)	30	0	0			
	and his acceptance at 2 months	112	0	0	142	0	0
	Edward Long has paid his bill due to-day				206	10	0
	Honoured Fred Lester's bill due to-day at his bankers				145	8	6
	Charles Marvin has taken up his bill due to-day ..				190	7	0

These entries may require a little more thought than some of those that have gone before; but, if the student will refresh his memory by reading over again what has been said in the former part of this chapter, he should find no difficulty in journalising them correctly. This should be attempted and the student's work compared with the Journal here shown.

19..								
Jan. 15	Ernest Andrews Dr.		125	0	0			
	To Bills Payable ..					100	0	0
	Cash ..					25	0	0
	Sundries Dr.					142	0	0
	To John Birch							
	Sugar ..		30	0	0			
	Bills Receivable		112	0	0			
	Cash Dr.		206	10	0			
	To Bills Receivable							
	(Edward Long)					206	10	0
	Bills Payable Dr.		145	8	6			
	To Cash (F. Lester)					145	8	6
	Cash Dr.		190	7	0			
	To Bills Receivable							
	(C. Marvin)					190	7	0

When a bill is drawn "at sight" it must be paid on presentation; there are no days of grace allowed for payment; but when drawn at "days after sight," the usual three days are allowed.

Most business firms use what is called a "Bill Book," one end of which is ruled for Bills Receivable, and the other end ruled for Bills payable. The form of a Bill Book is given on page 64, the ruled columns explaining themselves.

Bills Receivable.

L.F.	No.	Date when received.	Drawer.	Acceptor.	Of whom received.	Where Payable.	Date when accepted.	Term.	When due.	Amount. £	s.	d.	When due—shown *in extenso.* Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Remarks.
	1	Jan. 12	Self	J. Graves	J. Graves	London	Jan. 12	3 mos.	April 15	115	10	0				15									Paid April 15
	2	,, 13	Himself	H. Rutter	H. Rutter	,,	,, 13	2 mos.	Mar. 16	77	3	0			16										Discounted Feb.
	3	,, 14	Self	S. Fraser	S. Fraser	,,	,, 14	6 mos.	July 17	98	12	0							17						Dishonoured
	4	Feb. 15	H. Brown	W. Smith	F. Myers	Liverpool	Feb. 4	5 mos.	July 7	112	0	0							7						Paid to F. Jones, May 15
	5	Mar. 17	Self	H. Nobbs	H. Nobbs	London	March 17	8 mos.	Nov. 20	150	0	0											20		Returned to H. Nobbs.
	6	Mar. 28	J. Smith	J. Smith	J. Smith	York	March 27	6 mos.	Sept. 30	200	0	0									30				
										753	5	0													

Bills Payable.

L.F.	No.	Date when accepted.	To whom given.	Where Payable.	Term.	When due.	Amount. £	s.	d.	When due—shown *in extenso.* Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Remarks.
	1	Jan. 4	J. Brown	London	3 mos.	April 7	100	0	0				7									Met.
	2	,, 28	J. Niven	Birmingham	3 mos.	May 1	401	0	0					1								Renewed April 30, for 2 mos.
	3	Feb. 5	D. Grant	Edinburgh	4 mos.	June 8	122	4	0						8							Returned by D. Grant.
	4	,, 28	G. Lees	Glasgow	6 mos.	Sept. 3	250	0	0									8				Retired Aug. 4.
	5	April 30	J. Niven	Birmingham	2 mos.	July 3	406	10	0													
							1279	14														

It is now a common practice to make the Bill Books into forms of Journal. This is done by posting the detailed amounts of the Bills to the personal account and the totals to the Bills Receivable or Payable Accounts (**Golden Rule IV**).

Thus, in the example on page 64, the Bills Receivable would each be posted to the credit of the persons on whose account they were respectively received, the reference being placed in the "Ledger Folio" column (column 1), and the total of the "Amount" column (£753 5s. 0d.) posted to the debit of Bills Receivable Account. In the case of the Bills Payable Book the detailed items would be debited to the persons to whom they were given, and the total of the "Amount" column (£1279 14s. 0d.) credited to the Bills Payable Account, thus avoiding the use of the Journal.

Exercise IX.

Bill Transactions

Of course, those transactions in which Cash passes would be treated through the Cash Book. Make Cash Book and Journal entries.

	Transactions.			
1	Received of John Brown his acceptance at 2 months	100	0	0
2	Accepted William Smith's draft at 3 months	150	0	0
3	Discounted at Bank, John Brown's acceptance for £100, discount charged being £1 10s.			
4	Received of Geo. Jones his promissory note at 21 days for	250	0	0
5	Accepted James Phillips' draft at 5 months for	175	10	0
6	Received of William Johnson his own acceptance at 3 months for	120	0	0
	And Thomas Nicholls' acceptance to him due 25 Jan. for	240	0	0
7	Retired acceptance in favour of William Smith (No. 2 above), being allowed £2 10s. discount			
8	Geo. Jones' Bill (No. 4 above) due this day met at Bank			
9	Paid to D. Solomons, Wm. Johnson's acceptance (No. 6) for	120	0	0
10	Our acceptance (No. 14) due this day met at Bank	180	0	0

CHAPTER XV.

DISHONOURED, OR RENEWED BILLS.

In the preceding chapters we have considered only the cases in which all has gone well with a bill and it has been duly met at maturity. We will now consider those cases when the reverse is the fact, taking first those instances in which *we* are, or have been, the holders of due bills, the acceptors of which have failed to meet them. The rules for dealing with such will be as follows :—

(*a*) The bill is drawn by us and has remained in our possession.

Debit the acceptor and credit Bills Receivable account. This is called "writing back the bill."

(*b*) We have received the bill from a third party and still hold it.

Debit the person from whom it was received and credit Bills Receivable.

(*c*) The bill has been in our possession and we have endorsed it to some one else.

Debit the person from whom we received it, whether the acceptor or otherwise, and credit the person to whom we gave it; or, if we had discounted it, debit the person liable and credit Cash or Bank, as in this latter case we should be expected to pay, or meet, the bill immediately.

(*d*) In the case of a bill which we had endorsed and were liable for on dishonour by the acceptor, but arranged to meet this liability by accepting the holder's draft on us for the amount with interest.

In addition to the entry as above, debit Interest Account and credit the holder of the bill with agreed interest, and debit the holder with amount of the bill plus Interest, which is the amount of the new bill, and credit Bills Payable.

Turning now to the other side of the matter, to the case in which instead of being the holders of a dishonoured bill we are the *acceptors*, there is but one rule—*write the bill back, i.e., debit Bills Payable and credit the drawer of the bill*, exactly reversing the entry which was made when we gave the acceptance.

In all these supposed cases an additional expense, for *notarial charges*, is incurred. When a bill is dishonoured, it is the custom to hand it to an official person known as a Notary Public, who presents the bill again at the place where it is made payable, and makes a note on it of the answer given as the reason for non-payment. In all such cases the Notary's charge is afterwards added to the amount of the bill, so that whoever is charged with the amount of the bill is also charged with the noting expenses.

It may happen, however, that instead of allowing the bill to be presented and dishonoured the acceptor will approach the holder and ask for it to be *renewed*. This saves the noting charges as well as other unpleasantness. To renew a bill is to give a new acceptance in place of the old one, the old bill being given up and cancelled. Here again we may be either holders or acceptors. As a rule some interest would be agreed upon, as the holder of the old acceptance will have to wait a longer time for his money. The following rules will enable the student to deal with cases of renewed bills.

(*a*) If we hold a bill the acceptor of which agrees with us for a renewal :—

Debit the acceptor with the amount of the bill and interest, credit Bills Receivable with amount of bill, and Interest Account with amount of interest.

(*b*) If we are acceptors of a bill which we wish to renew :—

Debit Bills Payable with amount of the bill, and Interest Account with the agreed interest, and credit the holder of our acceptance with the total.

The new bills received and given are dealt with in the ordinary way, as in the case of any other bill drawn or accepted.

Bearing this explanation in mind, work the following exercise :—

Exercise X.

1	Received of J. Brown his acceptance ..	100	0	0
2	Discounted J. Brown's acceptance at my Bank, being charged £1 10s. od. discount.			
3	Received of Wm. Johnson, the acceptance of Thomas Nichols..	240	0	0
4	John Brown's acceptance (see above) returned dishonoured	100	0	0
	Noting charges paid by Bank		10	0
5	Received of John Brown on a/c	51	0	0
6	Thomas Nichol's acceptance, received from Wm. Johnson, returned dishonoured ..	240	0	0
	Noting charges paid	1	10	0
7	Received of Wm. Johnson his acceptance inclusive of noting charges and £3 10s. od. Interest (see No. 6)	245	0	0
8	Endorsed to D. Solomons Wm. Johnson's acceptance	120	0	0
9	Renewed our acceptance in favour of James Phillips .. .. (Bill £175 10s. od., Interest £4 10s. od.)	180	0	0
10	Wm. Johnson's acceptance, returned by D. Solomons, dishonoured	120	0	0
	Noting charges paid by Solomons	1	5	0
11	Paid D. Solomons	121	5	0

Exercise XI.

On 1st March, 19.., John Frost began to trade with a Capital of £2,000, consisting of—

Cash	950
Bills Receivable, Nos. 19, 21	450
Goods	600
	£2,000

All Cash transactions pass through Bank.

Use Cash Book; and pass remaining entries through Journal.

19..				
Mar. 4	Sold to Wm. Johnson, Goods	240	0	0
,, 7	Sold to James Roberts, Goods	300	0	0
	Received from J. Roberts his acceptance at 3 months for	285	0	0
	Abatement allowed him	15	0	0
,, 9	Bought of R. Maclaren, Goods..	1200	0	0
	Paid him Cash on a/c	400	0	0

EXERCISE XI—(*continued*).

Mar. 11	Bought of Henry Barnes, a quantity of Iron..	700	0	0
,, 13	Sold to R. Maclaren the Iron bought on the 11th, for	780	0	0
,, 17	Accepted H. Barnes' draft at 10 days.. ..	700	0	0
,, 20	Sold to W. Jordan, Goods	390	10	6
,, 21	Sold to S. Hall, Goods	425	17	6
,, 24	Received of W. Jordan his acceptance at 2 months	390	10	6
	Discounted J. Roberts' acceptance for £285, receiving in Cash	280	0	0
	Discount charged..	5	0	0
,, 24	Bought of R. Maclaren, Goods..	500	0	0
	Accepted his draft at 30 days for	400	0	0
	Paid him Cash	100	0	0
,, 25	Received from S. Hall on a/c	300	0	0
	Sold to H. Evans, Goods	217	12	6
	Bought of W. Brown, Goods	900	15	0
,, 26	Received Cash of H. Evans on a/c	117	12	6
	Sold to Matthew Rose, Goods	350	10	0
	Received Cash for Bill Receivable, No. 19 ..	250	0	0
,, 27	Received of M. Rose on a/c	148	0	0
	Allowed him discount	2	10	0
,, 28	Paid R. Maclaren on a/c	290	0	0
	He allowing me discount	10	0	0
, 29	Bought for Cash, Goods..	320	10	0
	Paid Rent to date	20	16	8
, 30	Paid Salaries and Wages to date	27	10	0
	Ready Money Sales for month..	142	16	0
	Drew for self	50	0	0
	Paid acceptance due this day	700	0	0
	*Charge Interest on Capital at rate of 5% per annum			
	Stock of Goods on hand, at cost price ..	1800	0	0

* **Debit Interest Account and credit Capital Account.**

EXERCISE XII.

On 1st May, 19.., Henry Wilson continues business with the following Assets :—

Cash at Bank	£500	7	6
Bills Receivable in hand, Nos. 24, 25, 27 ..	760	12	6
Cotton	1000	0	0
James Williams owes him	300	0	0
John Thomas owes him	350	0	0

Exercise XII—(*continued*).

All Cash transactions to be passed through Bank, except where otherwise stated.

19..				
May 1	Purchased of Morley & Co., Cotton	1000	0	0
,, 3	Purchased of W. Copestake, Cotton	1250	0	0
,, 5	Sold to Rackstraw & Co., Cotton	790	0	0
	Received their acceptance at 60 days ..	300	0	0
	And Cash	280	0	0
	Allowing them discount	10	0	0
,, 8	Discounted with London & County Bank, Bill Receivable No. 24, for £260 12s. 6d. ..			
	Received in Cash..	250	0	0
	Discount charged..	10	12	6
,, 9	Goods bought of James Brown for Cash ..	142	15	0
,, 10	Accepted Morley & Co.'s draft at 1 month ..	1000	0	0
,, 12	Purchased of Morley & Co., Cotton	600	0	0
	Paid Cash to Morley & Co., in full settlement	580	0	0
,, 14	Received Cash of James Williams on a/c ..	190	0	0
	And allowed him discount	10	0	0
,, 17	Accepted W. Copestake's draft due 30th inst.	750	0	0
	Cash paid to W. Copestake	240	0	0
	He allowing me discount	10	0	0
	Cash paid for Wages	35	0	0
	Cash paid Carriage of Goods bought	24	16	8
,, 19	John Thomas having failed, I receive a first and final dividend of 12/- in the £	210	0	0
	Write off balance as a loss			
,, 20	Cash borrowed of Jas. Smithson, at 5% interest per annum	500	0	0
	Paid for Trade Charges	17	10	0
,, 21	Sold to George Gill, Cotton	550	0	0
	Sold to Timothy Walker, Cotton	248	12	6
	Received from G. Gill his acceptance ..	550	0	0
	Advanced to Petty Cash	25	0	0
,, 25	Bought of Robert Brown, Cotton	500	0	0
	Sold to James Roberts, Cotton	450	0	0
,, 30	Cash paid acceptance due this day	750	0	0
	Interest to date on Loan borrowed from J. Smithson		13	11
	Calculate Interest on Capital at 5% per annum			
	Rent due to Wm. Johnson	20	0	0
	Drew out Cash for own use	75	0	0
	Wages and Salaries paid to date	50	0	0
	Petty Cash expenses to date	7	10	6
	Ready Money sales for month	342	10	8
	Goods on hand, valued at	2500	0	0

1. Debit Interest Account and credit J. Smithson
2. Debit Rent Account and credit Wm. Johnson

CHAPTER XVI.

RETURNS AND ALLOWANCES, ETC.

In every merchant's business a Returns Book will always be required, that is, a book in which are entered particulars of all goods returned, either *by* the firm or *to* the firm. This book will be divided into two parts, one of which will deal with "Returns Inwards" (or goods returned *to* the firm); the other will deal with "Returns Outwards" (or goods returned *by* the firm). A better plan is to have two separate books lettered as above.

When there are but few returns, the transactions may be journalised; when, however, there is a large number, the books referred to above will be necessary.

These books will be ruled similarly to the Day and Invoice Books.

The Returns Inwards book will contain particulars of the goods returned by customers to whom they had been previously sold. Consequently it will be necessary to *credit* the customers' accounts in the Ledger and to *debit* the Goods Account (Golden Rule I) in exactly the same manner as the Invoice Book is posted. (See Chap. XI.) A Credit Note is sent to each customer showing the amount allowed.

The Returns Outwards book is the reverse of the previous one, and will be treated in exactly the opposite way, namely, by *debiting* the persons from whom the goods had been previously bought, and *crediting* the Goods Account, in exactly the same manner as the Day Book is posted. (See Chap. XI.) A Debit Note or Invoice is sent, and a Credit Note should be received.

Overcharges could be dealt with in a similar manner.

Should the returns be merely journalised as they occur, the Journal entries for the following would be as shown on the next page.

(1) Goods returned to A. Garfield and allowed for by him.. .. .. £5 5 0

(2) W. Simmonds returned goods as unsuitable, allowed for by us to value of £10 6 0

	JOURNAL.							
(1)	A. Garfield Dr. To Goods (Returned to him)		5	5	0	5	5	0
(2)	Goods Dr. To W. Simmonds (Returned by him)		10	6	0	10	6	0

In many establishments it is now the custom, in the place of a "Goods Account" in the Ledger, to open :—

A **Stock Account,** to which would be posted only the value of Stock on hand at the commencement and at the end of the trading period.

A **Purchases Account,** to which the total of goods purchased would be debited periodically, the account being closed at balancing time to Trading Account (see page 76).

A **Sales Account,** to which the total of goods sold would be credited periodically, the account being closed to Trading Account as the Purchases Account is done.

Two **Returns Accounts,** "Inward" and "Outward," to be debited and credited respectively with goods returned to the firm or by the firm, and closed also to Trading Account.

When Returns Accounts are not raised, goods returned inwards should be debited to Sales Account, and those returned outwards credited to Purchases Account. These accounts would then show respectively the net amount of Sales and Purchases.

Even where Returns Accounts are kept, it is important that Returns Inwards should be shown as a *deduction* from Sales, and Returns Outwards as a *deduction* from Purchases in the Trade Account. Otherwise the Sales and Purchases would be unduly inflated and of little value for comparative or costing purposes. *E.g.* :—

Dr. TRADE ACCOUNT. *Cr.*

19..		£	£	19..		£	£
Jan. 1.	To Stock..		7000	Dec. 31.	By Sales	8000	
Dec. 31.	„ Purchases	5000			*Less* Returns Outwards	1500	
	Less Returns Inwards	500					6500
			4500	„ „	„ Stock		2000
„ „	„ Balance—Gross Profit .. .		3000				
			£8500				£8500

The use of Returns Books is another instance of the adaptation of the Journal to a different form for convenience. In the same way as the Sales and Purchases Books are used as forms of the Journal (see page 47), the Returns Books items are posted in detail to the personal accounts, and the totals to the impersonal accounts (**Golden Rule IV**).

Exercise XIII.

Henry Wilson re-opens his books on 1st June, 19.., with the balances shown in the closing Balance Sheet of last Exercise (No. XII), and continues with the following business transactions :—

June 1	Sold Goods to James Williams for Bill at 2 months	250	0	0
	Received Cash from him on a/c	49	0	0
	And allowed him for Discount	1	0	0
„ 3	Bought Goods for Cash	37	12	6
	Paid J. Smithson on account by handing to him James Williams' acceptance.. ..	250	0	0
	And Interest on Loan—from Petty Cash..		13	11
„ 4	Bought Goods of W. Copestake	300	0	0
„ 6	Discounted with Bank Bill Receivable No. 25, value £300, receiving in Cash	297	10	0
„ 10	Paid Wm. Johnson for Rent..	20	0	0
	Ready Money Sales	33	14	6
„ 12	Rackstraw & Co. paid me by Wm. Brown's acceptance to them for £150, and Cash to settle their account (discount £2) ..	48	0	0

EXERCISE XIII—(*continued.*)

June 13	Advanced to Petty Cash	20	0	0
	Petty Expenses to date	18	15	6
	Renewed acceptance in favour of Morley & Co., due this day (see last Ex.) for 2 months, interest charged being	8	6	8
	Sold to T. Walker, Goods	94	18	9
	Received from T. Walker on account .	148	12	6
,, 18	John Thomas paid me for a bad debt written off last month (Credit Capital Account)..	35	0	0
	Paid R. Brown	200	0	0
,, 20	Goods returned by T. Walker as unsuitable, and gave him credit note for	20	12	6
,, 22	Ready Money Sales	47	15	10
	Changed a Cheque for Wm. Smith, giving him Cash from Petty Cash	5	0	0
	Paid Cheque into Bank same day			
,, 24	Goods bought for Cash	19	10	0
,, 25	Bought of Morley & Co., Goods	250	0	0
	Paid them on account by Bills Receivable, No. 27	200	0	0
	Paid Carriage of Goods bought from Morley & Co.	12	10	6
,, 26	Bill Receivable No. 25, accepted by T. Walker, returned from Bank dishonoured	300	0	0
	Noting charges on same	1	5	0
,, 27	Sold to James Williams, Goods	240	15	0
	Drew for self	25	0	0
	Goods returned to Morley & Co. as defective, and allowed for by them	14	19	8
	Petty Expenses for month, paid by cheque	5	12	6
,, 29	Rent due to Wm. Johnson	20	0	0
	Wages paid for month	50	0	0
	Salaries paid	35	0	0
	Ready Money sales	17	13	4
,, 30	Credit Interest on balance of Loan Account. Credit Capital, with Interest at 5 % per annum			
	Goods on hand at this date	2640	0	0

Enter in the usual books; make Trial Balance, Profit and Loss Account, and Balance Sheet.

CHAPTER XVII.

CAPITAL AND REVENUE ACCOUNTS—TRADING ACCOUNT.

It is of the highest importance to the student of book-keeping, to the practical book-keeper, and to the capitalist, that a very clear idea should be obtained of the distinction between Capital and Revenue accounts. There are, no doubt, points at which one seems to vanish into the other, and where experts would disagree; but there are others, and these are the majority, where the line of demarcation is clearly defined.

For general purposes, the rule may be laid down that all expenditures which leave no tangible result behind them, are to be considered as Revenue expenditure, while those which add to the value of tangible property are expenditures out of Capital.

The result of a persistent disregard of the difference between these two kinds of expense may easily be disastrous, especially when it takes the form of posting Revenue expenses to Capital Accounts. When that is done, the Capital is apparently, although not actually increased, and a trader may for years suppose himself to be doing a successful business, while he is really drifting rapidly towards bankruptcy.

Suppose, for example, that, in a business where valuable machinery is used, all the expense incurred from time to time in maintaining it in working order is charged to Machinery Account, instead of being carried to some account which would eventually be merged into profit and loss. The result would be that the book value of the machinery, that is to say, the debit balance of the Machinery Account, would be regularly increasing, while the actual value of the plant would, at best, remain stationary, and generally would be steadily decreasing.

The same remark applies to all articles used in carrying on a trade or business which require occasional replacement or repair, as, for example, horses, carts, tools, buildings, furniture, and such-like. It would be, in fact, just as sensible to charge fuel for driving an engine to "Machinery," or fodder for horses to "Horses and Carts" Accounts, as to charge to the

same accounts new fire-bars for a furnace or new shafts for a cart.

But, while avoiding one extreme, the book-keeper must be careful that he does not go to the other. If additions are made to plant or premises, the cost should be debited to those accounts, as they add to the value of the property and consequently add to the Capital, and if the expense is defrayed out of profits, the profits are said, so far, to be Capitalised.

In the accounts of Railway, Canal, Gas, and Water companies, and a few large trading concerns, a system of "double" accounts is adopted, the books relating to Capital and Revenue being quite distinct. But in general trading businessess this is neither necessary, nor, indeed, practicable.

The following table of expenditures and the class of accounts to which they belong, will be found useful :—

A new boiler to replace an old one (difference)	Revenue.
A new engine in addition to one already used	Capital.
An additional storey to a warehouse	Capital.
Repairs to original building	Revenue.
Purchase of used machinery	Capital.
Repairs to same at time of purchase	Capital.
Subsequent repairs	Revenue.
In a Brewery, re-coopering used casks and providing new to keep up the stock	Revenue.
New casks in addition	Capital.
Purchase of a new horse and sale of an old one—difference	Revenue.
A new horse added to the stable	Capital.

The above instances simply point out the general rule to be followed. Where a Renewal and Maintenance Reserve Fund is provided, all cost of repairs and replacements is charged to that account, additions being charged to Capital, that is debited to the account of the particular item which is added to.

The Trading Account is now very largely introduced into the Closing Accounts of many forms of business.

It partakes of the nature of the Goods Account and the Profit and Loss Account, being a summary of the former, while it exhibits the items of the latter which comprise the expenses relative to the producing or procuring of the goods manufactured or dealt in. It is, perhaps, most valuable in

the records of a manufacturer, but it is easily adapted to most classes of business.

The Trading Account is useful, for instance, where Sales and Purchases Accounts are opened in the Ledgers, and where the subsidiary accounts of expense are particularly numerous, as it then provides an easy way of gathering these items into one account, and it is certainly preferable to the alternative plan of carrying such accounts as Freight, Duty, Carriage Inwards, etc., to the Goods Account, or of transferring them to Profit and Loss direct. It is obvious that Freight, Duty, and Carriage Inwards form as much a part of the cost of the goods they concern as the sum actually paid for such goods, and it is equally clear that it is desirable to have definite statements of the sums paid for these expenses, apart from the cost of the goods themselves.

No hard and fast rule can be laid down as to the items to be carried to Trading Account and Profit and Loss Account respectively. The division depends largely upon the character of the business and the views of the accountant or book-keeper. Speaking generally, all such items as duty, freight, carriage inwards, dock or wharf charges, productive wages, rent of warehouses and factories, repairs of machinery and plant, and in factories the salaries of managers and factory clerks, are to be taken to the debit of Trading Account; while the salaries of the office staff and salesmen, general office expenses, interest and cash discounts, bad debts and depreciation allowances, should be carried to Profit and Loss Account.

In a purely merchant business, *i.e.*, one in which the goods are sold exactly in the same form as that in which they are purchased and upon which no labour is expended, the *only* items which appear in the Trading Account are the opening and closing Stocks, the Purchases less Returns Outwards, and the Sales less Returns Inwards. All the expenses, including Freight and Carriage, must be charged in the Profit and Loss Account.

In the books of colliery proprietors and mining and quarrying concerns, a similar account is maintained under the name of a Working Account, and the same general rule applies. In such forms of business the payments for wages, rent, and royalty form the actual cost of obtaining the article eventually sold, and there would be no account for goods purchased to

sell again, although a Stock Account and a Sales Account would find their places in the Ledger.

The following example will show how this account should be worked, and a few exercises are added at the end of the book.

It must be noticed that as the starting point is the Trial Balance, each of the items mentioned represents a Ledger Account, which has to be closed, and that the Trading and Profit and Loss Accounts are to be the closing media.

Exercise XIV.

Prepare Trading, and Profit and Loss Accounts, and Balance Sheet from the following Trial Balance of Green & Gold's books. Profits are divided equally. The stock in hand on 31st December was £3,000. You have to provide for 10 per cent. depreciation upon the plant, and reserve 5 per cent. provision upon the outstanding Accounts for Bad and Doubtful Debts. The Partners are entitled to 5 per cent. interest upon Capital before division of profits.

TRIAL BALANCE, 31st December.

	Dr.	Cr.
	£	£
Sundry Creditors	—	2,300
Green's Capital Account (Jan. 1st)	—	9,240
Gold's ditto ditto	—	8,160
Green's Withdrawal Account (including Interest)	525	—
Gold's ditto ditto ditto	465	—
Purchases Account	17,778	—
Investments Account	750	—
Dividends Account	—	22
Wages Account	1,278	—
Sundry Debtors	8,220	—
Rent Account	520	—
Law Charges Account	75	—
Cash in hand	40	—
Cash at Bankers	430	—
Freehold Property Account	8,000	—
Plant Account	3,240	—
Salaries Account	864	—
Office Expenses Account	223	—
Repairs Account	310	—
Discounts Account	824	—
Sales Account	—	23,820
	£43,542	£43,542

EXERCISE XIV.—*continued.*

Trading and Profit and Loss Account.

Dr. TRADING ACCOUNT. **Cr.**

19..					19..				
Dec. 31	To Purchases	17778	0	0	Dec. 31	By Sales	23820	0	0
	„ Wages	1278	0	0		„ Stock	3000	0	0
	„ Profit and Loss a/c, Gross Profit	7764	0	0					
		£26820	0	0			£26820	0	0

Dr. PROFIT AND LOSS ACCOUNT. **Cr.**

19..					19..				
Dec. 31	To Rent	520	0	0	Dec. 31	By Trading a/c	7764	0	0
	„ Law Charges	75	0	0		„ Dividend a/c	22	0	0
	„ Salaries	864	0	0					
	„ Office Expenses	223	0	0					
	„ Repairs	310	0	0					
	„ Discounts	824	0	0					
	„ Depreciation on Plant	324	0	0					
	„ Reserve for Bad and Doubtful Debts	411	0	0					
	„ Int. on Capitals Green £462 Gold 408	870	0	0					
	„ Green Capital a/c	1682	10	0					
	„ Gold's do.	1682	10	0					
		£7786	0	0			£7786	0	0

Dr. BALANCE SHEET, DEC. 31ST, 19.. **Cr.**

To Sundry Creditors	2300	0	0	By Cash in hand	40	0	0
„ Green's Capital acct.				„ Do. at Bank	430	0	0
Bal. Jan. 1 £9240 0 0				„ Investments	750	0	0
Interest 462 0 0				„ Sundry			
½ Profits 1682 10 0				Debtors £8220 0 0			
				Less reserve 411 0 0			
11384 10 0					7809	0	0
Less drawings 525 0 0				„ Freehold Property	8000	0	0
	10859	10	0	„ Plant £3240 0 0			
„ Gold's Capital acct.				„ Less Depreciation 324 0 0			
Bal. Jan. 1, £8160 0 0					2916	0	0
Interest 408 0 0				„ Stock in hand	3000	0	0
½ Profits 1682 10 0							
10250 10 0							
Less drawings 465 0 0							
	9785	10	0				
	£22945	0	0		£22945	0	0

CHAPTER XVIII.

CONSIGNMENTS OUTWARD.

It occasionally happens that a merchant has goods in his possession for which he cannot find a ready sale at his place of business, but for which there is a good market elsewhere. It will, in such a case, evidently be to his advantage to send these goods to where they are in demand, and to employ a person doing business there to offer them for sale. As such goods, though consigned, or shipped, are still *owned* by the person who sent them, it is obvious that he cannot treat them as property which he has sold. It is, therefore, necessary to use a special term (and account) to represent such. The representative titles, "Consignment," "Shipment," and "Adventure," are those commonly employed, the first term being preferred.

Consignment Account.

Debit the consignment for the value of the property represented, and for all expenses paid by self (the owner or consignor).	Credit the consignment for the net proceeds when received or ascertained.

The entry is made on the *Dr.* side when the goods are despatched, and on the *Cr.* side when the "Account Sales" is rendered.

The person sending goods to be sold by another for him is termed the *shipper* or *consignor.*

The person to whom the goods are sent for sale is called the *agent or consignee.*

When the consignee receives the goods he takes them in charge, paying freight, and other expenses, if required. It may also be necessary for him to store them away for a time, and to have them insured. Although the agent may do all this, he does *not* become the *owner*; he merely assumes the management of them until they are sold, or ordered by the consignor to be re-shipped.

When the whole of a consignment has been sold, whether the money due has been received or not, the balance of the Consignment Account is transferred to Profit and Loss. When not sold it is simply held over as a balance, and will figure among the assets in the Balance Sheet.

When a consignment has been *partly* sold, the balance of the account is usually carried forward to next month. If, however, the consignor is desirous of calculating his profit (or loss) on what has been sold, he will credit the Consignment Account with the amount unsold, as in Goods Account, and carry the difference to Profit and Loss.

Different consignments are distinguished from one another either by numbering them, or by making use of the different consignees' names or localities.

On making a consignment, the consignor will send a letter advising the consignee of the same, and will enclose the invoice of the goods shipped. The amount quoted in the invoice will be the lowest or "bottom" price, and the agent is to sell it for as much over that price as he can get.

(Advice of Shipment sent by Consignor.)

W. Mason, Esq.,
London.

Montreal,
4th March, 19..

Dear Sir,

I have this day forwarded to you Flour, as per Invoice enclosed, to be sold on my account.

Hoping that a profitable sale may be effected at an early date,

I remain,

Yours faithfully,
W. H. Smith.

(Invoice Enclosed.)

Invoice of 400 *brls. Extra Flour*, shipped per ss. *Inez*, *4th March*, 19.., to *W. Mason, London*, to be sold *on Commission* :—

400 brls. Extra Flour @ 16/-	320	0	0
W. H. Smith,	£320	0	0
E. & O. E. Consignor.			
Montreal, 4th March, 19..			

(MASON'S ACKNOWLEDGMENT ON RECEIPT OF THE CONSIGNMENT).

W. H. SMITH, Esq.,
Montreal.

LONDON,
16th March, 19..

Dear Sir,

I have this day received, in good condition, your Consignment of Flour as per invoice of the 4th inst.

As prices are good, I shall put it on the market immediately.

Yours truly,
W. MASON.

Mason, on disposing of the consignment will, as soon as convenient, send the shipper a statement showing the amounts received for the goods and also the charges paid by him, such as freight, storage, commission, etc. Such a statement is termed an "Account Sales."

(THE ACCOUNT SALES RENDERED BY MASON.)

Account Sales of 400 *brls. Extra Flour* received ex ss. *Inez*, *16th March*, 19.., from *W. H. Smith, Montreal*, to be sold *on Commission.*

19..	SALES.			
Mar. 20	Sold for Cash—			
	400 brls. Extra Flour, @ 24/- ..	480	0	0
	CHARGES.			
" 18	Freight 16 0 0			
	Storage 8 0 0			
	Commission 3% on gross sales 14 8 0	38	8	0
	W. H. Smith's net proceeds, placed to his credit	£441	12	0
	E. & O. E. London.	W. MASON, Consignee.		

A few examples are appended, showing how to treat such consignments through the Journal. The cash entries may, of course, be passed through the Cash Book.

WASTE BOOK ENTRIES.

1	Consigned to Sydney, on our own account and risk, through Small & Co., 10 pipes Wine, invoiced at	600	0	0

WASTE BOOK ENTRIES—(*continued*).

2	Received of Small & Co., Cash, as advance on Consignment to Sydney	330	0	0
3	Cash paid, freight, insurance, and charges on Consignment to Sydney	75	0	0
4	Goods previously on Consignment, in hands of Wm. Thomas, Glasgow, invoiced @ ..	350	0	0
5	Account Sales received from Wm. Thomas, dealing with a portion of Stock consigned to him: Goods sold realised .. £120 17 6 Charges and Commission 17 10 0 Cheque enclosed for balance..	103	7	6
6	Received notice from Wm. Thomas that balance of goods consigned to him had been destroyed by fire. Claim made against Guardian Fire Office, and admitted by them..	260	0	0
7	Consigned to Brown & Co., Madras, 250 cases Claret..	150	0	0
8	Received from Brown & Co. their acceptance as an advance on Consignment ..	100	0	0
9	Paid freight and charges on above Consignment	12	10	0
10	Received Account Sales from Brown & Co., showing that the above Consignment to them had realized.. .. .. net	184	10	0
11	Received from Brown & Co. their cheque for balance	84	10	0
12	Consigned to Williams & James, of Melbourne, 3 loads of Timber, invoiced @..	1000	0	0
13	Paid for freight, insurance, and other charges	125	0	0
14	Received from Williams & James, Account Sales showing that they had sold a portion of the Consignment for .. .. net	420	0	0
15	And that the balance (£500) would be returned as they were unable to sell at invoiced price			
16	Balance of Consignment returned to Stock; charges paid thereon	95	0	0

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		Dr.			Cr.		
1	Consignment to Sydney Dr. To Wine (10 pipes)..	600	0	0	600	0	0
2	Cash (Advance) Dr. To Small & Co. ..	330	0	0	330	0	0
3	Consignment to Sydney Dr. To Cash (Charges)..	75	0	0	75	0	0
	This Consignment, being unsold, will appear in the Balance Sheet as an Asset.						
4	Consignment to Glasgow Dr. To Balance (brought for$^{d.}$)	350	0	0	350	0	0
5	Cash Dr. To Consignment to Glasgow	103	7	6	103	7	6
6	Guardian Fire Office Dr. To Consignment to Glasgow	260	0	0	260	0	0
	This Consignment will be closed to Profit and Loss at a gain of £13 7s. 6d., as nothing remains to be sold.						
7	Consignment to Brown & Co. Dr. To Claret (250 cases)	150	0	0	150	0	0
8	Bills Receivable Dr. To Brown & Co. ..	100	0	0	100	0	0
9	Consignment Dr. To Cash	12	10	0	12	10	0
10	Brown & Co. Dr. To Consignment ..	184	10	0	184	10	0

JOURNAL—(*continued*).

			Dr.			Cr.		
11	Cash Dr. To Brown & Co. ..		84	10	0	84	10	0
	This Consignment also will be closed to Profit and Loss at a profit of £22.							
12	Consignment to Melbourne Dr. To Goods		1000	0	0	1000	0	0
13	Consignment Dr. To Cash		125	0	0	125	0	0
14	Williams & James Dr. To Consignment ..		420	0	0	420	0	0
15	Goods (returned) Dr. To Consignment ..		500	0	0	500	0	0
16	Consignment Dr. To Cash		95	0	0	95	0	0
	This will be closed to Profit and Loss as a loss of £300							

In the event of only a portion of a Consignment being sold at the time the books are closed, it is necessary to bring into account the stock of consigned goods unsold. This stock must be valued at the price at which the goods were consigned *plus* a proportionate amount of the expenses incurred in making the consignment. Suppose goods valued at £1,000 had been consigned, of which only half were sold when the books were closed, and the expenses of consigning them were £100. The stock remaining in the consignee's hands must be valued at £550, *i.e.*, £500 representing half the consignment price plus £50 representing half the expenses.

The Stock must then be credited to the Consignment Account, and debited to a "Stock on Consignment Account." The balance remaining on the Consignment Account will then represent the actual profit or loss on the portion of the Consignment which has been sold, and must, therefore, be

transferred to Profit and Loss Account. The Consignment Account is re-opened at the beginning of the next trading period by debiting it with the Stock unsold at the value at which it was taken when closing the books, and Stock on Consignment Account is credited with the same figure thus closing that account.

Exercise XV.

You are invited to arrange and post in proper form, and draw out a Trial Balance, Profit and Loss Account, and a Balance Sheet with the result of the trading carried to the Capital Account of Frederick Stevens, Iron Merchant.

His assets were :—

Value of Warehouse Property	£2000	0	0
Stock of Iron	2195	0	0
Cash at W. D. and M. & S. Bank ..	1113	5	0
Acceptance of W. Ryde	300	0	0
Acceptance of R. Williams	250	0	0
Debt due from R. Andrew	78	5	0
Debt due from W. Barlow	69	10	0

And liabilities :—

R. Crewes	500	0	0
T. Bennett	250	0	0
Smith, Hill & Co.	125	0	0
Bill Payable	140	0	0
W. Ward, Esq., Pro. Note	70	0	0

Find and credit his capital at 1st January.

During the month his transactions were :—

Jan. 3	Buys from T. Sands, 1,250 Tons Iron	2700	0	0
,, 4	Sells W. Lord, 100 Tons Iron for	286	0	0
,, 10	Receives from W. Lord, Cash	228	10	6
	Allows him for short weight	3	9	6
,, 11	Pays to W. D. and M. & S. Bank	220	0	0
,, 14	Pays to T. Sands, cheque on W. D. and M. & S. Bank	1250	0	0
	And gives him a Bill at 3 m/d for	1425	0	0
	Discount allowed by T. Sands	25	0	0
,, 18	Sells Fay & Co., 600 Tons Iron	1562	10	0
,, 19	Buys from C. Rowley, 700 Tons Iron	1875	0	0
,, 20	Receives from Fay & Co., Cash	1523	8	9
	Allows them discount	39	1	3

	Pays W. D. and M. & S. Bank	1523	8	9
	And W. Ryde's Acceptance	300	0	0
Jan. 24	Receives from W. D. and M. & S. Bank W. Ryde's Acceptance dishonoured .. £300 0 0			
	Charges thereon 0 13 6			
		300	13	6
	Pays C. Rowley, cheque on W. D. and M. & S. Bank	1200	0	0
„ 27	Consigns to F. W. Arbuthnot & Co., for shipment to Calcutta, per s.s. "Sea King," 1,000 Tons Iron..	2500	0	0
„ 29	Pays Simpson, Trinder & Co. charges on shipment per "Sea King," by cheque on W. D. and M. & S. Bank, viz.:—			
	Freight £305 0 0			
	Insurance 32 5 0			
	Shipping Charges 27 2 6			
	Commission 25 0 0			
		389	7	6
„ 29	Receives from W. Ryde, Cash on account of his dishonoured Bill	150	13	6
	Also his Acceptance at 3 m/d for balance of same and interest	151	18	9
„ 31	W. D. and M. & S. Bank credit him with interest ..	5	6	6
	Draws for his Private Expenses for the month ..	74	0	0
	Pays Rates and Taxes	11	5	0
	Pays Salaries	61	0	0
	Pays Petty Expenses	9	15	0
	Credit his private a/c with one month's interest on capital	20	16	8
	Allows depreciation on Warehouse one month ..	6	13	4
	Stock on hand at this date	2732	17	6

Exercise XVI

On 31st Dec., 19.., William Copeland closed his books with the following balances: Petty Cash in hand, £17 10s. 6d. At Bank, £240 12s.; Wine on hand, £1,250; on Consignment at Calcutta, £600; Bills Receivable in hand, £460; against which he owed William James, £250; and on Bills Payable, 940 10s. Find and credit his Capital.

His transactions for the following month were as follows, all Cash being paid into Bank same day as received, and all payments being made by cheque, unless otherwise stated:—

Jan. 1	Sold to James Roberts, Wine (carriage paid) ..	140	0	0
	Paid carriage on same	2	10	0
	Cash received for Bill Receivable due this day	125	17	6
,, 4	Sold to Henry Widdowes, Wine (carriage paid)	275	12	0
	Paid expenses on same from Petty Cash ..	1	14	4
,, 6	Bought Wine of H. Meadows (ex-duty) ..	320	15	0
	Cash paid, duty on same	81	4	0
,, 8	Bill Payable due this day, met at Bank ..	240	10	0
	Cash received of Jas. Roberts	100	0	0
	Allowing him discount	5	0	0
	And received his Bill for balance	35	0	0
,, 10	Discounted Jas. Roberts' acceptance (received on the 8th inst.), being charged 17/6 for discount			
,, 12	Bought Wine of Hy. Brown	194	15	0
	Paid carriage on same	21	14	9
,, 13	Petty expenses to date	6	15	8
	Paid Wm. James on a/c, by handing to him H. Fielding's acceptance for	180	0	0
	And was allowed discount	3	10	0
,, 15	Paid Rates and Taxes to Lady-Day	25	17	6
,, 17	Henry Widdowes handed me John Halifax's acceptance to him for	150	0	0
	Charged Hy. Widdowes Interest on balance..		10	0
,, 19	Received A/c Sales from Roper & Co., of Calcutta, stating that my Consignment to them realised gross	425	17	4
	On which the expenses and Commission were	39	15	0
	Together with their Bill on a/c at 2 months ..	300	0	0
,, 20	Purchased for Cash, Wine	98	12	0
	Advanced to Petty Cash..	15	0	0
,, 23	Ready Money sales to date	74	15	9
,, 25	Gave Henry Brown my Bill at 2 months for..	150	0	0
	And Cash for balance, less £1 5s. discount	43	10	
,, 27	Paid Stationery and other expenses from Petty Cash	4	12	9
,, 29	H. Fielding's acceptance due this day, returned dishonoured			
	Noting Charges paid by Wm. James	1	10	0
,, 30	Accepted W. James' Draft for £184, he charging me £2 10s. for Interest			
,, 31	Sold Samuel Foster, Wine	247	15	0
	Rent due to Wm. Brown	20	16	8
	Paid Wages from Petty Cash	5	10	6
	Salaries paid by cheque	25	0	0
	Credit Capital, with Interest at rate of 5% p.a.			
	Goods on hand, valued at	1500	0	0

CHAPTER XIX.

CONSIGNMENTS INWARD: PURCHASES OR SALES ON COMMISSION.

When a consignment of goods is forwarded to us for sale on commission, a somewhat different process is necessary to that described with regard to Consignments Outward. On receiving such consignment we simply acknowledge its receipt, but make no entry whatever in the Journal, as no transaction has, as yet, taken place. As soon as we sell any portion of the goods, or pay anything in connection with them, then a transaction has taken place and consequently an entry is required in our books. Such entries will be debited or credited to the consignor or owner personally, and not under the heading of "Consignment" at all, this term being retained exclusively for our own property sent elsewhere to be sold on commission.

The following examples will show clearly how such transactions should be treated:—

Journalise the following transactions:

1	Received from Ambrose & Co. on consignment, to be sold on their a/c, and at their risk, 50 bales cotton, @ £26	1300	0	0
2	Paid, by cheque, landing and carting charges on above	6	5	0
3	Sold Buchanan & Co., 30 bales cotton at £28 being part of Ambrose & Co's consignment	840	0	0
4	Commission on above sales, 2½% on £840 ..	21	0	0
5	Remitted to Ambrose & Co. by Cheque ..	812	15	0
6	Sold to Brett, Everist & Co., 20 bales cotton @ £26 (being balance of Ambrose & Co's consignment)	520	0	0
7	Received from Buchanan & Co., cash ..	840	0	0
8	Commission on Cotton sold to Brett, Everist & Co., 2½% on £520	13	0	0

9	Paid for Warehousing Ambrose & Co's consignment	1	4	3
10	Received from Brett, Everist & Co., cheque..	520	0	0
11	Remitted to Ambrose & Co. by Bank draft ..	505	15	9

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		Dr.			Cr.		
1	No Entry						
2	Ambrose & Co. Dr. To Bank	6	5	0	6	5	0
3	Buchanan & Co. Dr. To Ambrose & Co.	840	0	0	840	0	0
4	Ambrose & Co. Dr. To Commission ..	21	0	0	21	0	0
5	Ambrose & Co. Dr. To Bank	812	15	0	812	15	0
6	Brett, Everist & Co Dr. To Ambrose & Co.	520	0	0	520	0	0
7	Cash Dr. To Buchanan & Co.	840	0	0	840	0	0
8	Ambrose & Co. Dr. To Commission ..	13	0	0	13	0	0
9	Ambrose & Co. Dr. To Cash	1	4	3	1	4	3
10	Cash Dr. To Brett, Everist & Co.	520	0	0	520	0	0
11	Ambrose & Co. Dr. To Bank	505	15	9	505	15	9

If, when receiving a consignment of goods to be sold on commission, we undertake to guarantee the proceeds of sale, a *higher* rate of remuneration is always charged, termed " Del Credere Commission."

It is well to keep a special Stock Book for " Consignments

Inward." In this book would be entered the exact particulars of quantities and invoiced prices, together with a full account of any sale. The book would be used for reference purposes.

It frequently happens in business that a firm will act as an agent for another in buying or selling various goods. In such cases a goods account will never be opened, but the party for whom the firm is agent will be debited or credited according as goods are bought or sold respectively.

In all cases the agent will debit the party concerned for all actual expenses incurred by him, together with commission on all purchases and sales.

The example appended will illustrate :—

WASTE BOOK.

1	Bought of Brown and Co., 20 gallons of Wine on account of Williams Brothers	50	0	0
2	Paid in cash, expenses on same	2	10	0
3	Sold to Cooper & Co., 5 gallons of Wine on a/c of Williams Brothers	15	0	0
4	Paid Brown & Co.	50	0	0
5	Sold remainder of Williams Brothers' Wine for Cash	43	10	0
6	Commission on purchases, sales and expenses, $2\frac{1}{2}\%$ on £111	2	15	6
7	Received from Cooper & Co., Cash	15	0	0
8	Paid Williams Bros.	3	4	6

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		Dr			Cr.		
1	Williams Bros. Dr. To Brown & Co. ..	50	0	0	50	0	0
2	Williams Bros. Dr. To Cash	2	10	0	2	10	0
3	Cooper & Co. .. .. To Williams Bros.	15	0	0	15	0	0
4	Brown & Co. Dr. To Cash	50	0	0	50	0	0

JOURNAL—(*continued*).

		Dr.			Cr.		
5	Cash Dr. To Williams Bros.	43	10	0	43	10	0
6	Williams Bros. Dr. To Commission ..	2	15	6	2	15	6
7	Cash Dr. To Cooper & Co...	15	0	0	15	0	0
8	Williams Bros. Dr. To Cash	3	4	6	3	4	6

Exercise XVII.

William Williams began to trade in March, 19.., with £3,500 in Cash, of which £3,000 was paid into Bank. All payments over £5 are made by cheque. Cash and cheques received are banked weekly.

Mar. 1	Bought Grocery, etc., of Lipton & Co. ..	1000	0	0
	Paid John Holdsworth for Warehouse, Fittings, etc.	250	0	0
,, 2	Paid for preliminary expenses (the loss of which is to spread over two years)..	96	12	0
,, 3	Ready Money sales	25	19	4
	Sold to W. Grundy, Tea, Coffee, etc.	45	19	8
	Bought entire Fittings from John Holdsworth for	50	0	0
	And gave him a bill at 3 mos. to cover payment (with interest)	50	16	8
,, 5	Received from W. Grundy cheque	30	0	0
,, 6	Paid for Stationery, &c.	1	12	9
	For Cheque Book		16	8
	Paid into Bank	250	0	0
,, 8	Sold to James Richards, Coffee	93	17	4
	Received Cash on a/c	40	0	0
	Allowing him discount	3	17	4
	Received his Bill at 3 mos. for £51 10s., including interest			
,, 10	Paid for Repairs	5	10	0
,, 12	Sold to William Martin, Grocery	148	17	6
	Received his cheque on a/c	47	0	0
	Discount	1	17	6
,, 13	Paid into Bank	80	0	0

EXERCISE XVII—(*continued*).

Mar. 15	Drew for Self	20	0	0
	Paid Lipton & Co., on a/c	100	0	0
	And accepted their draft for 2 mos. for ..	320	10	0
	Being charged for interest	2	10	0
„ 16	Received consignment of Wine from Wilkins and Strong, to be sold on their a/c at 5% commission on sales	750	0	0
	Paid Carriage on same	4	15	0
„ 17	Sold to Coleridge & Co., Grocery	93	17	6
	Receiving Cash on account	50	0	0
	Ready Money Sales to date	89	18	4
„ 19	Sold to William Martin, Sherry from Wilkins & Strong	300	0	0
	William Martin paid me on a/c	150	0	0
„ 20	Paid into Bank	200	0	0
„ 22	Bought Goods of Jameson & Brown	349	17	5
	Consigned to Meredith & Co., of Capetown, Goods invoiced at	490	15	0
	Paid expenses on same	17	14	8
„ 24	Received from Curtis & Co., London agents of Meredith & Co., Cash advanced on above consignment	250	0	0
„ 25	Sold to W. Goldsmith, Goods from Stock value	154	17	0
	And remainder of Sherry on Consignment for	500	0	0
„ 27	Paid into Bank	250	0	0
„ 29	Paid Wilkins and Strong amount due to them, after deducting expenses and commission, as per agreement			
„ 30	W. Goldsmith, paid in Cash	254	17	0
	Together with William Richards' acceptance to him for	200	0	0
„ 31	Ready Money sales to date	55	14	9
	Ready Money purchases	27	14	6
	Wages and Salaries paid to date	19	15	0
	Rent, Rates, and Taxes due	35	12	6
	Calculate Interest on Capital and Drawings at 5% per annum			
	Goods on hand at this date	250	0	0

The student's attention is particularly directed to the form of Cash Book used in this Exercise, ALL receipts being entered in the Office Cash column, payments into bank being made from Cash at weekly intervals.

The transactions on the 3rd and 8th, where interest is given and received, also require special notice. In the former W. Williams obtains additional credit so he (Interest) is debited, and J. Holdsworth is credited. In the latter the conditions are reversed, and J. Richards is to be debited and Interest credited.

CHAPTER XX.

JOINT ACCOUNTS.

When two or more persons (or firms) unite in the purchase and sale of some particular article or articles, with a view of making a profit thereby, a *special* partnership is formed, and the goods are said to be bought and sold on **Joint Account** or **Joint Speculation**

The partners do not carry on business under a firm title, as in the case of a general partnership, for the joint interest extends only to the transactions connected with the articles specified at the time the contract was made. It is usual to appoint one of the persons concerned as manager, and to define his duties as such.

Whenever goods are purchased or otherwise provided for the joint speculation, it becomes the duty of the partner who supplied them to furnish each member with a copy of the invoice. On the disposal of the property, the manager renders an Account Sales to each.

The Joint Account will be debited for all goods supplied, and for all charges thereon ; and will be credited with sales. Then supposing the whole of the goods are sold, the balance is struck, and, if a *profit* is made, the joint owners are credited with the respective amount of profit due to each ; if a *loss* is made, the joint owners will, of course, be debited.

Supposing we ourselves undertake the management of the Joint Account (as will generally be the case), it is usual to make a charge for commission on all purchases, sales, and expenses ; after which the profit (or loss) is ascertained, our portion of which will be passed through the Profit and Loss Account.

The following entries, to be journalised, will illustrate the procedure :—

1	Bought of W. Williams, on joint account with Brown & Co., 375 barrels of flour, at 40/-	750	0	0
2	Paid carriage and other charges on the above	12	10	0
3	Received of Brown & Co., their share of cost of above flour	375	0	0
4	Sold to James Thompson the whole of the Flour bought on Joint Account, for	837	10	0
5	Our Commission on above purchases and sales at 1¼%	19	16	10

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1	Joint Account with Brown & Co. ..		750	0	0			
	To W. Williams ..					750	0	0
2	Joint Account		12	10	0			
	To Cash					12	10	0
3	Cash		375	0	0			
	To Brown and Co. ..					375	0	0
	(A separate Account for Brown & Co. must now be opened)							
4	Jas. Thompson		837	10	0			
	To Joint Account ..					837	10	0
5	Joint Account		19	16	10			
	To Commission ..					19	16	10
	Joint Account		55	3	2			
	To Brown & Co. ..					27	11	7
	,, Profit and Loss ..					27	11	7
	(Half profit to each).							

Another example is appended, showing more complicated entries, and where we do not undertake the actual management :—

1	D. S. Baker shipped to S. L. Mason to be sold on joint account, 650 barrels of Apples, at 7/- per barrel. The shipper took 300 barrels from his own stock ; and the rest he bought from Taylor & Son			
	Paid Shipping Charges on above	7	10	0
2	Mason, on receiving the above, paid freight and other charges in cash	18	0	0
3	Mason sold the whole of the consignment (less 10 barrels damaged) to Welsh & Co., at 10/- per barrel, receiving as payment a bill for £200 and a cheque for £120			
4	Mason charged for storage, insurance, and commission	10	0	0
5	Mason sends an Account Sales together with a cheque for balance due to Baker ..	263	10	0

In this case the account is better treated as a Consignment Account (see Chap. XVIII.) We will show the Journal entries first for the books of D. S. Baker ; and afterwards for those of S. L. Mason, remembering that the profit is to be divided between them.

Journal of D. S. Baker.

1	Consignment		235	0	0			
	To Goods.. ..					105	0	0
	,, Taylor & Son					122	10	0
	,, Cash					7	10	0
5	Cash		263	10	0			
	To Consignment..					263	10	0
	Consignment		28	10	0			
	To Profit and Loss					28	10	0
	(His share of profit.)							

Journal of S. L. Mason.

1	No entry (see Chap. 19)							
2	D. S. Baker		18	0	0			
	To Cash					18	0	0
3	Bill Receivable ..		200	0	0			
	Cash		120	0	0			
	To D. S. Baker ..					320	0	0
4	D. S. Baker		38	10	0			
	To Commission ..					10	0	0
	,, Profit and Loss					28	10	0
5	D. S. Baker		263	10	0			
	To Bank					263	10	0

Besides the £28 10s. net profit made by Mason, he will also have made a profit of £10 "Commission" as Manager.

It will be understood that until the goods of a "Joint Account" are finally sold or otherwise disposed of, it cannot be closed to Profit and Loss; it must therefore appear in the Balance Sheet as an Asset, in a similar manner to a Consignment.

Exercise XVIII.

On 1st July, John Davies, corn merchant, brought forward the following balances :—

	Dr.	Cr.
Cash at Bank..	£1000 0 0	
,, ,, Office..	55 10 0	
Stock of Wheat	500 0 0	
,, ,, Flour	450 0 0	
Bills Receivable	379 10 0	
Bills Payable		548 15 0
Wm. Wolfsky..	125 5 0	
Jas. Munisch		310 17 6

Find and credit the Capital.

EXERCISE XVIII—(*continued*).

July 1	Purchased of Tom Williams, Barley	395	0	0
	Accepted his draft at 3 mos. for same ..	395	0	0
,, 4	Sold to Wm. Wolfsky, Wheat	125	15	0
,, 6	Received Cash from Wm. Wolfsky, on a/c ..	100	0	0
	And allowed him discount	3	0	0
,, 8	Paid into Bank	120	0	0
,, 10	Purchased of J. Munisch, Wheat	648	12	6
	Gave him Bill Receivable, No. 28, on a/c ..	179	10	0
	And Cheque for	100	0	0
	And was allowed discount	5	12	6
,, 12	Bought of Norman M'Leod, on joint a/c with Arthur Briggs, Barley	1000	0	0
	Gave N. M'Leod my acceptance at 3 mos. for	500	0	0
	And Cheque on a/c	250	0	0
,, 13	Paid Cash for Cartage and other expenses on Barley from Norman M'Leod	10	15	0
	Received Cash from A. Briggs, his moiety on a/c of joint speculation	500	0	0
	Paid Cash into Bank	500	0	0
,, 15	Sold Flour to Reuben Abraham on a 3 mos' Bill	220	0	0
,, 16	Paid in Cash, expenses on Flour and chargeable to R. Abraham	3	17	6
,, 18	Discounted with Bank, Bill Receivable, No. 29, for £200, being charged discount	1	10	0
,, 20	Sold to Wm. Belcher, part of Barley bought on joint account with A. Briggs	650	0	0
	And received from Wm. Belcher, Jas. Richards' acceptance to him, for	400	0	0
,, 22	Bought Flour of Wm. Brown	390	17	6
	Paid him on a/c by handing to him R. Abraham's acceptance to me for	220	0	0
	And was allowed discount	1	17	6
,, 24	Sold remainder of Barley, bought on joint a/c, to Samuel Bros., for	450	0	0
	Received from Samuel Bros., cash on a/c ..	200	0	0
,, 25	Paid into Bank	150	0	0
	Paid in Cash, wharf rent and other charges for Barley on joint a/c	7	15	0
	Charged (as manager) 5% Commission on Sales on above speculation; after which net profits are divisible equally			
,, 29	Paid by Bank, Bill payable due this day ..	248	15	0
,, 30	Paid Wages and Salaries by Cheque	54	10	6
	Trade Expenses paid to date, in Cash ..	8	15	6
	Rent due	20	0	0
	Wheat on hand at cost	1048	12	6
	Flour ,, ,, ...	650	0	0
	Barley ,, at present price	380	0	0
	Charge interest on capital at 5% per annum ..			

Exercise XIX.

On 1st Jan., 19.., W. Lemon had the following Ledger balances :—

Cash at Bank	317	12	6
Petty Cash in hands of Clerk	16	13	2
Bills Receivable	918	1	1
Bills Payable	627	16	0
Goods (chemicals)	512	1	6
Goods (sundries)	109	10	9
J. Lewis, Cr.	145	7	0
W. Butler, Cr.	712	2	5
A. Wells, Dr.	53	16	3
C Major, Dr.	209	10	0
Rent	30	0	0

Jan.	1	Bought of A. Wells, Goods (sundries)					5	16	2
,,	2	Bought of J. Lewis, Goods (chemicals)					109	18	1
,,	5	Shipped per s.s. "Ravenna" to Hong Kong, consigned to Ah Hee & Co., on equal shares with them as follows :							
		Goods (chemicals)	600	13	0				
		Goods (sundries)	98	1	8				
			698	14	8				
		Our Commission	17	9	4				
		Insurance	7	10	0				
		Freight	26	8	9				
							750	2	9
,,	6	Drew Bill at 90 d/s for $5,455·54 on Ah Hee & Co., and sold it with documents attached to Hong Kong and Shanghai Bank at 2/9, receiving Cheque for ..					750	2	9
,,	10	Paid by Cheques :—							
		Royal Exchange Corporation (for insurance on "Ravenna")					7	10	0
		Peninsular and Oriental S. N. Co. (freight on ditto)					26	8	9
		J. Lewis					109	18	1
		A. Wells					5	16	2
,	16	Sold to A. Wells, Goods (chemicals)					38	18	7
,,	21	Accepted Draft of J. Lewis at one month, being allowed £7 5s 4d. discount					138	1	8
,,	24	Paid Rent to Christmas, by Cheque					30	0	0
,,	28	Received of A. Wells his acceptance at two months					53	16	3
,,	,,	Received of C. Major, by Cheque, to balance account					204	5	3
Feb.	24	Bills due this day paid at Bank—Lewis					138	1	8
		Howard & Sons					627	16	0
,,	25	Drew Cheque for Petty Cash					20	0	0
Mar.	1	Accepted draft of W. Butler at three months ..					712	2	5
,,	13	Bills due this day, collected by Bank :							
		Johnson & Sons	600	5	0				
		Syme & Co.	317	16	1				
							918	1	1
,,	25	Rent due					30	0	0

Exercise XIX—(*continued*).

Mar. 31	A. Wells' acceptance collected by Bank	53	16	3
,, ,,	Sold Goods (sundries) to J. Lewis	13	18	2
April 21	Paid Rent to Lady Day, by Cheque	30	0	0
,, 24	Bought of W. Butler, Goods (chemicals) ..	209	4	6
May 6	Bought of W. Butler, Goods (chemicals) ..	116	11	2
,, 24	Sold C. Major, Goods (chemicals)	300	0	0
June 4	Received from Ah Hee & Co. Account Sales of Goods per "Ravenna": —			
	Gross proceeds .. .. $6,872·52			
	Charges .. .. .. 326·17			
	Their Commission .. .. 171·82			
,, 5	Drew Bill on Ah Hee & Co. for $4060, our share of net proceeds of shipment per "Ravenna," and sold it to Hong Kong and Shanghai Bank at 2s. 8¾d., receiving Cheque	62	15	5
,, 5	Drew Cheque payable to W. Lemon on private account	100	0	0
,, 24	Rent due to Midsummer	30	0	0
,, 30	Examined Petty Cash Account and allowed expenditure of	31	12	9

1. Write up the Cash Book. All cheques pass through the Bank the same day.

2. Journalise the transactions.

3. Post the Ledger, inserting the proper folio references.

4. Take out the Trial Balance.

5. Close the books, making the requisite Journal entries. Value the goods on hand on 30th June as: Chemicals, £214 1s. 1d.; and Sundries, £27 1s. 6d.

CHAPTER XXI.

PARTNERSHIP.

When two or more persons, by mutual consent, unite either the whole or a part of their property or services, for the purpose of performing a work, or carrying on a business, and agree to share in the gains and losses, a *partnership* is said to be formed.

No contract can properly be called a partnership unless there is *community of profit.*

A partnership may have for its object the prosecution of any *lawful* enterprise. The contract need not be in writing, as the acts of the parties concerned are taken as evidence of its existence. Although a verbal agreement is quite legal, it is more satisfactory to have a written document giving full particulars.

Any person of sound mind and not under legal disability may be a partner.

An active partner is one who has an interest in the business and is *known to the public* as a partner.

A silent or dormant partner is one who has an interest in the business, but is *unknown to the public* as a partner.

A nominal partner is one who allows his name to be used for the benefit of the firm *without having any pecuniary interest* in its business.

A special partner is one who is held liable for only a *specified amount.*

Generally speaking, each member of a firm is responsible for the acts of the firm, or of any of its members, these acts being *within the scope* of the partnership.

It is, therefore, indispensable that the utmost *good faith* should be maintained between partners.

A partner cannot bind the firm by contracts clearly *out of the ordinary course* of business ; but the firm is responsible for even the fraudulent acts of any of its members committed within the proper limits of the partnership.

When a new partner is admitted, he is under no obligation to

pay any debts, or fulfil any contracts of the old firm (unless he agrees to assume them), as an entirely new partnership is formed.

A partnership may be dissolved as follows :—

(*a*) By the *consent* of the partners.

(*b*) By the *death* of one of the partners, or by his becoming *legally incapacitated* for transacting business.

(*c*) At the *expiration of the term* of the contract ; or on the *completion of the work* undertaken.

(*d*) At the *request* of one of the partners when the time is indefinite.

(*e*) By the *bankruptcy* of a partner, or of the firm.

(*Note.*—There are other circumstances which might cause a dissolution, but the consideration of them would be beyond the limits of this work.)

All cases of dissolution, except those resulting from process of law, bankruptcy, or the death of a partner, should be gazetted. Due notice should be given in the local papers, and also to all parties who have usually dealt with the firm.

With regard to the accounts, when it is likely that several amounts may be withdrawn during a term of business, the best plan is to open a private Drawing Account with each partner, debiting it for sums *taken out by him for private use.* A separate Capital Account should also be opened for each partner. The Drawing Accounts will be closed into their respective Capital Accounts, before balancing the Ledger.

Before taking a new partner into a business the books should be closed, so that the true state of affairs may be known to all parties concerned. Such a course will prevent any misconception in regard to the finances of the business, and thus save trouble when a settlement is to be made.

The newly admitted partner is credited with his investment, after which he becomes a sharer in the gains and losses as per contract.

By a *partnership settlement* is meant the equitable distribution of the effects of a firm at the end of a term of business, or at the time of dissolution.

When a partnership ceases, the books are usually left in the hands of one of the members of the late firm until a proper adjustment of the proceeds is made. The books must be balanced and the losses or gains, being apportioned according to the terms of contract, must be transferred to the partners' accounts respectively. A financial statement will be made, and a copy of it given to each partner, so that he can make the proper entries in his own books.

In his own private books, each partner will hold the firm *Dr.* for the amount *placed to his credit* in the partnership books, and make the firm *Cr.* for all sums *received in payment* from it.

In the partnership books each partner's account is made *Dr.* for all values *paid to him* by the firm, while the accounts representing such values are made *Cr.*

When partners invest equal amounts and give their time and attention to the business, it is customary to divide the gains and losses equally.

When partners invest equally, but one of them manages the business, he should be allowed a fair salary for his work, the balance of the profits being shared according to investment.

The profits of a business will, in any case, be shared according to agreement between the respective partners.

When a new partner is introduced into an existing firm, he will be credited at once with the amount he brings into the business. Should he be charged a premium on entering the firm, such premium will not be credited to the incoming partner, but to the already existing partners, in a proportion agreed upon between themselves.

To the new partner will be submitted the last balance sheet (brought up to date) showing the exact state of affairs at that point, and it is usual (and, indeed, reasonable) for the existing partners to guarantee the Assets and Liabilities, so that if the Assets have been over-estimated or the Liabilities under-estimated, such loss shall not fall upon the incoming partner, but shall be immediately passed to the *debit* of the existing partners' Capital Accounts. Otherwise it might happen that a fraudulent (or inaccurate) balance sheet would be submitted, and the new partner would suffer (to a greater or less extent) for any losses which might arise.

On the other hand, it may be a condition of partnership that the already existing partners may insist on a preferential claim

on the net profits. In this case, the net profits will be ascertained in the usual way, from which the amount of the preferential claim would be subtracted, and the existing partners credited with their proportion, after which the residue of profit would be shared as per agreement.

Hitherto, all our accounts have been considered with reference to a firm being represented by *one* individual only. We now come to the case of a partnership, where a firm will be represented by two (or more) individuals.

Supposing we are required to re-open the books of a partnership firm, we should first have to see the Balance Sheet, giving a statement of Assets and Liabilities, together with the amount of each Capital Account, for the period just closed. Let the Assets and Liabilities be as follows.

Messrs. W. Jackson and James Thomas find the state of their affairs to be as undermentioned :—

Cash at Bank, £1,012 10s. 6d. ; Petty Cash in hand, £9 9s. 6d. ; Bills due to the firm, £750 ; Bills due by the firm, £450 ; Wine on hand, £940 ; on Consignment with J. Brown, of New York, £320 ; owing *by* sundry persons, £795 10s. ; owing *to* sundry persons, £1,025 10s. ; W. Jackson's Capital Account, £1,568 ; James Thomas's Capital Account, £784. The Journal will be written up thus :—

Rule—" Debit the Assets and credit the Liabilities."

JOURNAL.

Sundry Assets	Dr.						
To Balance					3827	10	0
Bank		1012	10	6			
Petty Cash		9	9	6			
Bills Receivable		750	0	0			
Consignment unsold ..		320	0	0			
Wine (Stock)		940	0	0			
Sundry Debtors		795	10	0			
Balance	Dr.	3827	10	0			
To Sundry Liabilities							
Bills Payable					450	0	0
Sundry Creditors ..					1025	10	0
W. Jackson, Capital a/c					1568	0	0
J. Thomas, Capital a/c					784	0	0

Exercise XX.

On 1st Jan., John Hodge and Chas. Wright found the state of their partnership affairs to be as follows :—

Liabilities.

Due to John Hodge, Capital	£2000	0	0
,, Chas. Wright, Capital	1000	0	0
,, John Roe	450	0	0
The Firm's Acceptance, due Jan. 30 ..	820	0	0
	£4270	0	0

Assets.

Cash at Bankers	£1250	0	0
Petty Cash in hand	5	15	0
Due from James Pott	164	5	0
,, Henry Nix	50	0	0
Bill Receivable, due Feb. 15	400	0	0
Stock of Wine, 50 pipes	2400	0	0
	£4270	0	0

The Capital of the Partners bears interest at 5 % per annum and the net profits are divisible between the two partners in equal moieties.

Pass all Cash transactions (except Petty Cash) through Bank.

Jan. 1	Sold 10 Pipes of Wine to Henry Green ..	550	0	0
	Bought 20 Pipes of Wine of Chas. Brown ..	800	0	0
,, 9	Received Cash from O. G. & Co. proceeds of Bill Receivable for £400, due Feb. 15, discounted with them	397	15	0
	Discount charged by O. G. & Co.	2	5	0
,, 12	Paid Cash to Chas. Brown	760	0	0
	Trade Discount allowed by him	40	0	0
,, 15	Received Cash from James Pott, on account	100	0	0
,, 20	Sold James Pott 2 Pipes of Wines	140	0	0
,, 25	Received of Henry Green his acceptance at 2 months, due 28th March	550	0	0
,, 30	Accepted John Roe's draft at 4 months' date	450	0	0
	Cash paid, our acceptance due this day ..	820	0	0
,, 31	Cash paid, Clerk's Salary, one month ..	15	0	0
	Paid out of Petty Cash, Sundry Trade Charges	1	16	0
	Paid out of Petty Cash on Private A/c of J. Hodge	3	0	0

EXERCISE XX—(*continued*).

Feb. 1	Advanced to Petty Cash	10	0	0
	Cash drawn out by Partners on their respective Private A/cs., viz :—			
	John Hodge 60 0 0			
	Chas. Wright 50 0 0			
		110	0	0
,, 2	Sold to R. Love 20 Pipes of Wine, at £50 ..	1000	0	0
	Consigned to Sydney, on our own account and risk, through Small and Co., 10 Pipes of Wine invoiced at	600	0	0
,, 10	Received of Small & Co. Cash as advance on Consignment to Sydney	330	0	0
,, 15	Bill receivable, due this day, returned dishonoured by the acceptor, John Nokes ..	400	0	0
	Withdrew the same in exchange for our cheque			
	Notarial charges thereon paid out of Petty Cash		3	6
,, 20	Cash received of John Nokes on account of his dishonoured acceptance	200	0	0
,, 21	Purchased of Henry Jones, 15 Pipes of Wine	750	0	0
	Sold to H. Cox 5 Pipes of Wine	450	0	0
	Cash paid, Freight, Insurance, and charges on Consignment to Sydney	75	0	0
,, 23	Received of H. Cox, cash	200	0	0
	And his acceptance, due 26th May	100	0	0
,, 24	Received of R. Love, his acceptance, due April 27	600	0	0
,, 28	Value of Stock of Wine on hand at this date	1700	0	0
	Due to H. Good for Stationery	7	10	0
	,, H. Knott for Salary (one month) ..	15	0	0
	,, J. Craig, two months' rent	20	0	0
	Credit Partners with Interest on Capital at rate of 5% per annum			
	Debit Partners with Interest on Drawings as per entry on February 1st			

CHAPTER XXII.

BRANCH AND DEPARTMENTAL ACCOUNTS—PURCHASE OF A BUSINESS AS A GOING CONCERN.

It will sometimes happen that a firm has two or more branches or departments, and the principals wish to know the exact result of the trading of each of these. In such cases the various losses or expenses and profits made at each branch or department may be debited or credited directly to that branch. Thus, wages and other expenses would be charged directly to the department concerned, and not to a Wages or Trade Charges Account. Purchases and sales of goods would be treated in the same way, the particulars to be posted to the Branch Accounts being obtained by adding extra columns (for the Head Office and each Branch) to the Sales, Purchases and Returns Books and analysing the sales, purchases and returns therein. This will not apply to Capital Expenditure, however, as to charge, say, fittings at a branch shop to that branch would be equivalent to charging them to Profit and Loss. A record of Capital Expenditure upon each Branch may, however, be kept by opening accounts for Branch Buildings, Branch Fixtures, etc., and debiting them with the amounts expended on Capital Account.

In purchasing a business as a going concern it is convenient to open an account in the name of the vendor and to credit it with the value of the assets taken over, debiting the respective assets accounts, and to debit it with the liabilities undertaken, crediting in detail the various creditors' accounts. If the purchase price agreed upon is more than the amount thus shown the excess is paid for Goodwill. In this case a "Goodwill Account" must be opened and debited with the amount of the excess, the vendor's account being credited, and debited with the corresponding items.

The two following exercises will be found to illustrate the special points dealt with in this chapter.

Exercise XXI.

On the 1st July, 19.., Mr. James Hardwick, of the Free Trade Stores, Nos. 1, 2, and 3, The Parade, Newtown, found the state of his affairs to be as follows :—

Liabilities.			
Warley Bros.	£269	8	6
Brown and Jones	295	9	0
Acceptance to F. Ladel, due 28th July ..	373	2	8
Assets.			
Cash in Bank	189	3	6
Petty Cash	20	0	0
Sundry Debtors	52	5	7
Loan to W. Hardwick, at 5 per cent. ..	200	0	0
Business Premises, Fittings, &c., valued at	1000	0	0
Stock in Trade, viz. :—			
At No. 1, Drapery	1067	3	6
,, 2, Provisions	884	4	2
,, 3, Upholstery	1261	9	0

The books are to show separately the profit or loss on each of the departments, Nos. 1, 2 and 3. Wages paid to work-people are to be charged to the departments mentioned ; the expenses of the business to be charged to a General Account. All the Assets and Liabilities are to be embodied in one Balance Sheet. All cash transactions, unless otherwise stated, pass through the Bank.

19..				
July 3	Accepted Warley Bros.' Draft at one month	269	8	6
	Received from sundry Debtors	52	0	0
	Allowed as Discount		5	7
,, 4	Bought of Warley Bros. Goods, No. 1 Dept.	112	9	8
,, 5	Sales on Credit to sundry Debtors—			
	No. 1 Department	55	7	6
	,, 2 ,, ...	49	8	10
	,, 3 ,, ...	120	3	7
,, 6	Bought of Banks and Co., 2 Carrier Tricycles	52	10	0
,, 7	Borrowed of James Bailey the sum of.. ..	800	0	0
	and deposited with him as security Policy on own life for £1,000			
	Paid Premium to Union Life Office	45	0	0
,, 8	Paid Wages of Workpeople—			
	No. 1 Department	12	5	0
	,, 3 ,, ...	14	8	0

EXERCISE XXI—(*continued*).

19..				
July 10	Bought of sundry persons, Goods for			
	No. 2 Department	479	7	6
	,, 3 ,, ...	263	9	2
,, 11	Paid to Sage & Co., for New Shop Fittings ..	350	0	0
,, 12	,, ,, Brown & Jones on a/c	150	0	0
,, 13	Collected from sundry Debtors—Cash ..	200	0	0
,, 14	Purchased for Cash, Drapery Stock valued at £500, at a Discount of 50 per cent. ..	250	0	0
,, 15	Paid into Bank, Cash for R.M. Sales—			
	No. 1 Department	136	8	1
	,, 2 ,, ...	247	9	2
	,, 3 ,, ...	78	5	0
	Paid Wages of Workpeople—			
	No. 1 Department	15	7	6
	,, 3 ,, ...	29	8	2
,, 17	Supplied Furniture to Mrs. Copeland—			
	No. 3 Department	350	0	0
,, 19	Bought of Sims & Co., for No. 3 Department, Goods invoiced at	119	10	0
,, 20	Paid from Petty Cash, Carriage and Expenses in connection with Mrs. Copeland's Furniture	5	0	0
,, 22	Returned to sundry persons, various Cases, for which they allowed No. 1 Department	3	10	0
,, 25	Paid to Banks & Co., for Tricycles bought on the 6th inst.	52	10	0
,, 28	Renewed Acceptance due this day for 2 Months (with Interest), in favor of F. Ladel ..	376	4	8
,, 29	Paid into Bank, Cash for R.M. Sales—			
	No. 1 Department	229	8	6
	,, 2 ,, ...	316	9	1
	,, 3 ,, ...	110	3	2
	Paid Salaries (General Account)	40	0	0
	,, Wages of Workpeople—two weeks ..			
	No. 1 Department	39	8	0
	,, 3 ,, ...	47	2	9
,, 31	Interest due to Mr. J. Bailey	2	11	8
	,, due from W. Hardwick		16	8
	Depreciation of Premises	10	0	0
	Goods on hand at this date, viz.:—			
	Drapery	1206	17	7
	Provisions	872	18	0
	Upholstery	1303	19	3

EXERCISE XXII.

Royal Society of Arts Examination Paper.

[*Three hours allowed.*]

The following was the Statement of Affairs of Arthur Archer, wine merchant, on the 31st January :—

EXERCISE XXII.—(*continued*).

Liabilities.

Bills payable—			
No. 241, £187 16s.; No. 242, £150	..	£337	16 0
Overdraft at Bankers	..	213	5 0
Concia & Co., Lisbon	..	824	17 6
Druitt and Duse ..	..	596	10 0
Sundry Creditors ..	..	1438	10 9
Capital	..	4364	2 6
		£7775	1 9

Assets.

Stock in Bond, in Cellars, and with Agents, at cost	..	£3070	15 0
Bills receivable—			
No. 104, £137; No. 105, £50		187	0 0
Stock on Consignment with Henry Hart, Montreal*	..	874	10 6
Europa Club ..	..	185	6 0
Grant and Green ..	..	72	15 0
Sundry Debtors—Agents	..	1144	9 6
do. Trade Account		2240	5 9
		£7775	1 9

On 1st. Feb. the business was transferred to Bruce Balfour on the following terms. The capital, together with a premium of £800 for Goodwill, to be paid on taking possession, in cash £1,664 2s. 6d. and three Promissory Notes for £1,000, £1,000, and £1,500, at 3, 4, and 6 months, either of which might be retired at any time less a rebate at 6 per cent., Balfour taking all the Assets with all profits and risks, and undertaking to discharge all Liabilities.

You are required to open Accounts for these particulars, to journalise and post the following transactions of Bruce Balfour, to balance the Accounts, and finally to prepare a Trial Balance, Profit and Loss Account, and Balance Sheet. All receipts paid into Bank the same day, and all payments, unless otherwise stated, by Cheque.

Feb. 1	Paid cash into bankers	3000	0	0
	Delivered to Arthur Archer cheque	1664	2	6
	Delivered to Arthur Archer 3 Promissory Notes, Nos. 243, 4, and 5 for £1,000, £1,000 and £1,500	3500	0	0
	Drew Cheque for Office Cash	50	0	0
„ 3	Drew Bill, No. 106 @ 3 months on Europa Club which they accepted	150	0	0
	Sold Kirk & Co. Wines as per invoice	72	10	0
„ 4	Received Cash Sundry Trade Debts collected as per cash book	238	0	0
„ 7	Paid Traveller's Commission and Expenses ..	14	0	0
	Sold Kirk & Co., 10 Cases Champagne	38	10	0
„ 10	Accepted Concia & Co.'s Bill @ 3 months ..	700	0	0
	Paid them Cheque	124	17	6
„ 12	Received from Hy. Hart Account—Sales Consignment with Sight Draft, Net Proceeds ..	936	17	6
„ 15	Paid Local Board Rates	8	1	4
	Paid Law Costs Transfer of Business	23	6	8
„ 18	Received Payment of Bill No. 104	137	0	0
	Sold Lord Lingrove Wines as per invoice ..	185	0	0
„ 19	Received of Kirk & Co., Cash	109	0	0
	Allowed them Discount	2	0	0
	Shipped on Consignment to Hy. Hart Wines at cost	742	0	0
	Paid Shipping Charges, Freight, and Insurance ..	13	12	6

* Call this "Consignment No. 1," and the further despatch of goods on 19th February Consignment No. 2.'

Exercise XXII.—(*continued*).

Feb. 21	Sold Europa Club 10 Cases Claret @ 45s ..	22	10	0
,, 25	Paid off Bill No. 245 under rebate*	1461	0	10
	Accepted Druitt and Duse's Draft @ 3 months ..	500	0	0
,, 28	Paid Book-keeper and Month's Wages Office, Cash..	28	9	4
Mar. 1	Received of Hy. Hart on Account Consignment ..	450	0	0
	Received of sundry Agents Cash as per cash book ...	284	0	0
,, 3	Bought of Nuelli & Co., 10 Pipes Port for Bill (a 4 months	580	0	0
,, 5	Sold sundry persons Wines, as per day-book ..	421	5	0
,, 7	Paid sundry Trade Creditors, as per cash-book ..	356	10	0
,, 9	Received of Ochoa & Co., Wines on Consignment ..	746	15	0
	Paid Dock Charges	5	9	6
,, 12	Rose's Bill No. 105 returned dishonoured and noting	50	1	6
	Drew Cheque for Office Cash	20	0	0
,, 15	Sold Lord Lingrove further Wines	81	15	0
	Received his Cheque on Account for	125	0	0
,, 17	Received first and final Dividend, 17/6 in the £, from Grant & Green	63	13	2
,, 18	Sold out of bond Goods consigned by Ochoa & Co. for	825	0	0
	Charged Commission 5%	41	5	0
	Remitted them 7 days Draft in Settlement ..	778	5	6
,, 20	Bought of Druitt and Duse 40 Cases Champagne ..	120	0	0
,, 22	Paid Bill No. 241..	187	16	0
	Received Cash, sundry Agents	203	5	0
	,, ,, from R. Rose for Bill and Expenses	50	1	6
,, 24	Sold Europa Club for Cash, Wine	39	15	0
	Received Cash, sundry Trade Accounts.. ..	234	7	4
,, 26	Bought of Nuelli & Co., Claret	78	10	0
	Claimed for ullage (leakage) of Port, claim allowed	5	0	0
	Paid them Cheque (Discount allowed £3 18s 6d) ..	69	11	6
,, 30	Paid Month's Wages and Petty Expenses, Office Cash	29	6	6
,, 31	Paid Quarter's Rent, Offices and Cellars ..	25	0	0
	Stock in Trade, valued at cost	2341	4	6

* The word "discount" would be more properly used here. As the Bill in question is not due until 4th August, the proportion of discount from Feb. 25th to date of maturity may be written back to credit of Rebate a/c and not carried to credit of Profit and Loss.

CHAPTER XXIII.

CONTRACTS.

THE method of keeping **Contract Accounts** is similar to that for keeping accounts of Consignments, viz., by opening a separate account for each contract.

In the same manner, when a contract is closed or completed the balance will be transferred to Profit and Loss. If the contract is not completed at stock-taking, the balance of the Contract Account should be included as an asset in the Balance Sheet.

Supposing, however, that a contract has been completed as far as the actual work is concerned, but the price agreed upon has not been paid in full, it is best to credit the contract with the balance due, and to open a personal account for the amount owing. The Contract Account will then be closed to Profit and Loss ; and the personal account appear as an asset in the Balance Sheet.

The student must remember that a Contract Account will be debited for *all* expenses (of whatever nature) incurred in connection with such contract, and credited with all amounts received in payment.

A firm will undertake a contract for a certain price and it is their business to get all their expenses thereon *below* that figure, so as to ensure a profit on the transaction.

When a contract price is paid by instalments (as is frequently the case), the Ledger Account will only be credited with them as they are received.

It is usual to debit the Contract Account with the value of all Plant, such as Cranes, Tools, Scaffolding, etc., used upon the contract work as and when it is sent to the job. When the contract is completed the Plant returned is re-valued at a price which allows for the wear and tear during the progress of the work, and for missing tools, etc. This sum is credited to the Contract Account. The loss in value of the Plant which is one of the costs of the Contract is thus properly charged against it.

Suppose you undertake to build a Board School for £30,000, and that the price is to be paid by instalments, your Ledger Account would be drawn up in a manner similar to the following (the items are summarised) :—

Contract Account.

"Brummagem Street Board School."

Dr.						Cr.			
To Materials ..		19800	10	6	By Cash on a/c ..		15000	0	0
,, Cartage ..		2410	15	6	,, Bills Receivable		4000	0	0
,, Wages		3107	19	8	,, Cash on a/c ..		2000	0	0
					,, Plant, etc., returned		800	0	0
,, Plant, Tools, etc.		845	17	6	,, Balance remaining transferred to Personal a/c		9000	0	0
,, Surveyor's Fees		125	15	0					
,, Sundry Expenses		75	4	10					
,, Clerical Labour		1249	10	0					
,, Profit and Loss		3184	7	0					
	£	30800	0	0		£	30800	0	0

The above Ledger A/c shows (1) that the Contract is completed (2) that £9,000 is still due and (3) that the Profit is £3,184 7s.

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Exercise XXIII.

The following shows the state of affairs of Messrs. John and Joseph Tough, ironwork contractors, at 1st January, followed by a record of their transactions during that month.

You are required to arrange and post these transactions to proper accounts opened in the Ledger, and, having balanced them, to draw out a Profit and Loss Account, Trial Balance, and Balance Sheet, to credit each partner with 5 per cent. interest on his capital, and carry the amount of the profit or loss in equal shares to their respective Capital Accounts.

All payments over £5 by cheque, unless otherwise stated; all under that amount in coin; all receipts paid into bank same day.

Before working this exercise study the notes given at the end of it.

Liabilities.

Capital:—			
John Tough	£13057	14	1
Joseph Tough	15960	1	6
Sundry creditors:—			
Peter Jones	923	0	0
John Smith	1027	16	0
Henry Brown	450	0	0
Bills payable:—			
No. 391	1000	0	0
,, 392	850	10	0
Instalments received on current contracts:			
No. 124, Wessex Bridge	960	0	0
,, 125, Mercia Tanks	1845	0	0
,, 126, Cantia Derricks	2460	0	0
Mortgage on premises	15000	0	0

Assets.

Freehold works valued at	26000	0	0
Plant, machinery, and rolling stock	5280	0	0
Cash at bankers	2456	1	9
,, in office	84	7	4
Bill receivable, No. 248	365	0	0
Sundry debtors:—			
Thomas Tiger	1254	9	3
Edward Eagle	1215	10	0
Current contracts—value of work done:—			
No. 124, Wessex Bridge	1330	2	9
,, 125, Mercia Tanks	3160	10	4
,, 126, Cantia Derricks	3130	12	8
,, 127, Devonia Viaduct	815	10	0
Stocks of materials on hand	6241	17	6

EXERCISE XXIII—(*continued*).

Jan. 1	Bought of John Smith 100 tons of Plates @ £7	700	0	0
,, 2	Paid him Cheque	1200	0	0
	,, Bill at two months	500	0	0
,, 3	Paid Rates and Taxes	31	7	6
,, 4	Received payment, Bill No. 248	365	0	0
,, 6	Received instalment, Contract No. 125 ..	1000	0	0
	Paid Sundry Petty Expenses	4	16	0
	,, Fire Insurance	32	1	6
,, 8	Took Contract for Anglia Girders, No. 128, £1250			
,, 9	Paid Bill, No. 392	850	10	0
	Bought of Peter Jones for Cash, 45 cwt. of Rivets @ 32s.	72	0	0
	Material supplied to date :—			
	Contract No. 124	248	15	0
	,, 125	132	7	6
	,, 127	315	9	8
	,, 128	264	7	6
,, 11	Received of Thomas Tiger, Cheque	400	0	0
,, 12	Contract No. 126 completed and passed, and balance of Contract received	3500	0	0
	Partner's drawings : John Tough	500	0	0
	,, ,, Joseph Tough	500	0	0
,, 13	Bought of Henry Brown for two months' Bill, 50 tons angles @ £7 10s.	375	0	0
	Drew Cheque for Wages paid this day :—			
	Contract No. 124	222	6	0
	,, 125	107	5	0
	,, 126	5	15	6
	,, 127	128	18	6
	,, 128	52	3	4
,, 16	Paid Henry Brown	430	0	0
	Discount allowed	20	0	0
,, 17	Received of Edward Eagle	1200	0	0
	Allowance on Settlement	15	10	0
,, 18	Received instalment on Contract No. 124 ..	500	0	0
,, 21	Bought of Stephen Spicer timber as per invoice	142	3	6
,, 22	Received instalment, Contract No. 128 ..	350	0	0
,, 23	Received Cash sundry Sales	18	1	6
,, 24	Partner's drawings : John Tough	150	0	0
	Paid Peter Jones	500	0	0
,, 25	Paid Bill, No. 391, due this day	1000	0	0
	Received of Thomas Tiger bill at three months	841	3	6
,, 26	Paid Stephen Spicer	140	0	0
	Discount allowed	2	3	6
,, 27	Drew Cheque for Wages paid this day :—			
	Contract No. 124	125	19	4
	,, 125	22	11	0
	,, 127	173	7	11
	,, 128	230	4	4

EXERCISE XXIII—(*continued*).

Jan 27	Received net proceeds Sale by Auction of Loose Plant, Contract No. 126, value in books £350	186	15	0
	Paid Office Salaries for month	27	10	0
	Received instalment, Contract 127	1000	0	0
„ 28	Contract No. 125, completed and passed. Final balance due, £2,100. Instalment received	1650	0	0
„ 29	Paid half-year's Interest on Mortgage ..	300	0	0
„ 31	Materials supplied to date :—			
	Contract No. 124	831	15	0
	„ 127	463	10	0
	„ 128	159	17	6
	Paid Water Rate	10	4	6
	Paid Inspector's Fees, Contract No. 125 ..	31	10	0
	Paid off Mortgage	2000	0	0
	Depreciation of Buildings	54	10	0
	„ of Plant and Machinery ..	24	6	0
	Credit John Tough, Interest on Capital ..	54	4	0
	„ Joseph Tough „ „ ..	65	15	3
	Stocks of Materials on Hand	4822	16	8

Notes.

ASSETS AND LIABILITIES.—It will be seen that in the account of three out of the four current contracts, an amount is shown on both sides of the account, instead of simply the difference between the two sides, as is usual. The reason for this is that it is desirable, where a contract extends over more than one balancing period, to be able to see what amount has been expended in wages, materials, etc., and how much has been received. In these three accounts the entries at the commencement of the Ledger Accounts should be on the Dr. side, "To work done," and on the Cr. side, "By instalments received."

Jan. 8.—"Took Contract No. 128."
No entry is required for this in the Journal or Ledger, as it does not represent any transaction.

Jan. 9.—"Materials supplied to date."
Debit each contract, by its number, with the value of materials supplied to it, and credit "Materials Account." Only one sum, the total of the four separate amounts, should appear as a credit.

Jan 12. -"Contract 126 completed and passed, and final instalment received." Credit the contract with the amount received

This job, being now done and paid for, will not appear again until the closing entries are made. The difference between the two sides of the account will be passed to Profit and Loss.

Jan. 13.—"Bought of Henry Brown for a two months Bill."

Be careful to note that this comprises two distinct transactions—*(a)* the purchase of the angles (iron castings), and *(b)* the acceptance of Brown's draft for the amount of his invoice.

"Drew cheque for wages paid this day."

Debit each contract for its own amount.

Jan. 18.—"Received instalment on contract 124."

Credit the contract with this amount, and adopt the same plan in all similar cases that follow.

Jan. 27.—"Received net proceeds Sale by Auction of Loose Plant Contract No. 126, value in books £350."

This sum of £350 is included in the value of Loose Plant as shown among the assets. The contract being completed, the plant used in executing the work was sold. The amount received should be credited to Plant Account, and the difference between the proceeds of sale and the original value debited to the contract, and likewise credited to Plant Account, for use and waste. The entry should be

"Contract No. 126 Dr.
to Plant, Machinery, etc."

Jan. 28.—Contract No. 125 completed and passed. Final balance due £2,100. Instalment received £1,650."

This still leaves a sum of £450 to be paid, which should be debited to the personal account of the customer for whom the work has been done, and credited to the contract which will then in due time be closed (as in the case of contract 126), to Profit and Loss. As no customer's name is given, the title "Mercia Tanks Company" may be adopted.

Jan. 29.—"Paid half-year's Interest on Mortgage."

This item leaves some room for variation in the method of dealing with it. The opening entries do not show that any interest on the mortgage was due, and it is contrary to custom to pay such interest in advance. It may therefore be assumed that the £300 paid was due, and the amount passed to debit of Interest Account.

In making the balance sheet of this exercise, show the amounts expended and received on current contracts as in the opening statement.

CHAPTER XXIV.

SECTIONAL BALANCING LEDGERS.

One of the comparatively novel introductions into the art of book-keeping is the *self-balancing* or *self-proving* method of Ledger arrangement.

Where there are a number of Ledgers, independent of each other, but at the same time forming parts of a larger whole, it greatly simplifies the labour of the principal book-keeper if each volume of the Ledger can be arranged so that a trial balance can be taken of it. We propose in this chapter to explain the method generally adopted.

We will assume that the Ledgers of a firm are divided into Bought, Sold (London and Country), Expense and General, or Private Ledgers, and that each of these is to be capable of being proved without reference to any other.

The first necessity is to arrange the Cash Book, which, for balancing purposes, will form part of the General Ledger, so that posting from it to the several Ledgers is rendered possible. To do this the Cash Book must have, besides the columns for totals, as many columns as there are separate Ledgers. Thus taking the division suggested above, we should have on the debit side columns headed Discount, Town Ledger, Country Ledger, General Ledger, and Total. On the credit we should require Discount, Bought Ledger, Expense Ledger, General Ledger, and Total. With this division Cash Sales and Cash Purchases would be posted to the Town Ledger and Bought Ledger respectively.

We will now consider the Town (Sales) Ledger. This will contain the personal accounts of town customers, which will, in ordinary course, be debited, from the Day Book, with the charge for goods supplied and will be credited with amounts received as shown in the Town Ledger column of the Cash Book, and with discounts allowed. The "adjusting account," as it is called, is supplied by an additional account, generally at the end of the Ledger, headed "General Ledger Account." To this is posted periodically, (*a*) on the credit side the total of the Town Day Book for the period, including the amount of Cash or R.M. Sales, if any; and (*b*) on the debit side the total shown in the Town Ledger column of the Cash Book, and of the Cash Sales column, if there is one, with the amount of discount allowed. This Ledger should then be in balance,

i.e., the total of the balances of the personal accounts should equal the balance of the General Ledger Account.

Precisely the same method will be followed with the Country Ledger and with the same result

Turning now to the Bought Ledger we have simply to reverse the operations already described. The personal accounts will be credited with the cost of goods purchased, and debited with the amounts of cash paid as per Bought Ledger column of the Cash Book and with the discount, if any. The adjusting account will be under the same heading as in the Sales Ledger. It will be debited periodically with the total of the Invoice Book and credited monthly with the total of the Bought Ledger column of the Cash Book and with the total amount of the Discount column, so far as it is applicable. This Ledger, like the others, should then be in balance ; the debit balance of the adjustment account equalling the total of the credit balances of the personal accounts.

The next Ledger to be considered is the Expense, or Nominal Account Ledger. The accounts raised in this would be Wages, Salaries, Rent, Rates and Taxes, Insurance, and incidentals generally. These various accounts would be debited with the payments made from the Cash Book, and the General Ledger (adjustment) Account should be debited periodically, say monthly, with the total of each account and credited with the total of the Nominal Ledger Column of the Cash Book. In many businesses this Ledger may be dispensed with, the Expense Account being kept in the General Ledger.

The General or Private Ledger completes the set. The Accounts to be opened in this are :—Town Sales Ledger Account, Country Sales Ledger Account, Bought Ledger Account and Nominal Ledger Account, if a Nominal Ledger is kept, Sales and Purchases Accounts, a Stock Account and Accounts under the various headings of Current Expenses. The Bills Accounts of both names will also be found here, with such accounts as relate to the Capital and Private Accounts of the Partners and to the Profit and Loss Account. In the end it will be found that the Trading and Profit and Loss Accounts and the Balance Sheet, except the lists of Debtors and Creditors, can be produced from this Ledger.

As regards the Discount columns in the Cash Book, it is better to have only one on each side and to summarise the

amounts applicable to each account in the General Ledger monthly. This avoids having a multiplicity of Discount columns. The more numerous the columns are in a tabulated book the greater are the possibilities of making mistakes.

When bills are drawn or accepted, the former being credited to debtors and the latter debited to creditors, the countervailing entries in the several Ledgers will be in the General Ledger Accounts, the amounts being taken monthly from the Bill Books. Subsequent dealings with bills would pass through the General Ledger. The following fully worked exercise will illustrate the method advised.

When converting Ledgers already in use to the Sectional Balancing system it is important that the total of the balances *already existing* in each Ledger should be appropriately dealt with in the Ledger Adjustment Account, otherwise the Ledgers will not, of course, be in balance with the Adjustment Account.

It is also very advisable that all entries which do not pass through any other subsidiary book, should be passed through the Journal. This particularly applies to transfers from one Ledger to another. It is frequently due to the omission of this class of entry from the Adjustment Accounts that Sectional Balancing is unsuccessful.

Exercise XXIV.

Thomas Newman commenced business as a general merchant on 1st July, 19.., having a capital of £5,000 in cash. His accountant recommended the use of five Ledgers, namely, Town and Country Sales Ledgers, Purchases Ledger, Nominal Ledger, and General or Private Ledger, and that each should be made self-balancing. The other books in use were Town and Country Sales books, Invoice book, and Cash book. A Journal would be used for transfers only.

At the end of July the items entered in the various books were as follows :—

In the Invoice Book :—

July 1.	Purchased of T. Waters, goods	750	0	0
„ 7.	„ J. Jackson „	927	0	0
„ 11.	„ H. Harris „	179	0	0
„ 13.	„ T. Waters „	212	0	0
„ 18.	„ B. Bell „	322	0	0
„ 20.	„ H. Harris „	75	0	0
„ 29.	„ T. Trott „	117	0	0

EXERCISE XXIV—(*continued*).

In the Town Sales Book :—

July 2.	Sold to M. Mariner, goods	121	0	0
„ 4.	„ T. Tracey „	217	0	0
„ 7.	„ G. Goodman „	238	0	0
„ 11.	„ H. Hartley „	191	0	0
„ 30.	„ Sundry buyers „	795	0	0

In the Country Sales Book :—

July 5.	Sold to B. Brown, goods..	327	0	0
„ 8.	„ C. Carr, „	120	0	0
„ 12.	„ D. Drury, „	415	0	0
„ 16.	„ E. Everett, „	91	0	0
„ 30.	„ Sundry buyers, „	746	0	0

In the Cash Book :—

July 1.	Capital paid into bank	5000	0	0
„ „	Drew for P.C. (imprest system)	30	0	0
„ 2.	Paid wages and salaries	7	10	0
„ 5.	„ T. Waters on a/c	500	0	0
„ 8.	„ Advertising a/c	29	15	0
„ „	Received from M. Mariner to settle invoice dated 2nd inst.	115	0	0
„ 11.	Received from B. Brown on a/c	200	0	0
„ 12.	„ C. Carr „	75	0	0
„ „	„ T. Tracey „	125	0	0
„ 14.	Paid J. Jackson on a/c	500	0	0
„ „	Received of G. Goodman, to settle invoice dated 7th inst.	226	0	0
„ 15.	Paid for Books and Stationery	35	0	0
„ 16.	„ Wages and Salaries	15	0	0
„ 18.	Received of D. Drury	250	0	0
„ 19.	Personal Drawings	25	0	0
„ 23.	Paid Wages and Salaries	7	10	0
„ 25.	„ B. Bell	155	0	0
„ 30.	„ T. Waters	200	0	0
„ „	Received of Sundry Buyers, town	515	0	0
„ „	Discount	18	0	0
„ „	Received of Sundry Buyers, country ..	491	0	0
„ „	Discount	14	0	0
„ „	Paid Wages and Salaries	7	10	0
„ „	Petty expenses for month repaid to petty cashier	19	15	0
„ „	Paid one month's Rent of Office, etc. ..	25	0	0

Open the necessary subsidiary books, post the same to Ledgers, raising the adjustment accounts required, and prove each Ledger by taking out a Trial Balance.

PURCHASES OR INVOICE BOOK.

19..

July	1	T. Waters, Goods ..	1					750	0	0
,,	7	J. Jackson ,, ..	2					927	0	0
,,	11	H. Harris ,, ..	3					179	0	0
,,	13	T. Waters ,, ..	1					212	0	0
,,	18	B. Bell ,, ..	4					322	0	0
,,	20	H. Harris ,, ..	3					75	0	0
,,	29	T. Trott ,, ..	5					117	0	0
			6					2582	0	0

TOWN SALES BOOK.

July	2	M. Mariner, Goods ..	1					121	0	0
,,	4	T. Tracey ,, ..	2					217	0	0
,,	7	G. Goodman ,, ..	3					238	0	0
,,	11	H. Hartley ,, ..	4					191	0	0
,,	30	Sundry buyers ,, ..	5					795	0	0
			6					1562	0	0

COUNTRY SALES BOOK.

July	5	B. Brown, Goods ..	1					327	0	0
,,	8	C. Carr ,, ..	2					120	0	0
,,	12	D. Drury, ,, ..	3					415	0	0
,,	16	E. Everett, ,, ..	4					91	0	0
,,	30	Sundry buyers ,, ..	5					746	0	0
			6					1699	0	0

PURCHASES LEDGER.

Dr. T. WATERS. (1) Cr.

19..							19..						
July	5	To Cash - -	1	500	0	0	July	1	By Goods -	1	750	0	0
,,	30	,, ,, - -	1	200	0	0	,,	13	,, ,, -	1	212	0	0
		,, Balance	c/d	262	0	0							
				962	0	0					962	0	0

Dr. CASH.

				Discount.			Town Ledger.			Country Ledger.			General Ledger.			Total.		
19..																		
July	1	To Capital % - -	1										5000	0	0	5000	0	0
,,	8	,, M. Mariner -	1	6	0	0	115	0	0							115	0	0
,,	11	,, B. Brown - -	1							200	0	0				200	0	0
,,	12	,, C. Carr - -	2							75	0	0				75	0	0
,,	,,	,, T. Tracey - -	2				125	0	0							125	0	0
,,	14	,, G. Goodman -	3	12	0	0	226	0	0							226	0	0
,,	18	,, D. Drury - -	3							250	0	0				250	0	0
,,	30	,, Sundry Buyers -	5	18	0	0	515	0	0							515	0	0
,,	,,	,, ,, -	5	14	0	0				491	0	0				491	0	0
		Summary of Discount																
		Town Ledger £36	6															
		Country ,, 14	0															
		£50																
				50	0	0	981	0	0	1016	0	0	5000	0	0	6997	0	0
							(6)			(6)								

CONTRA. Cr.

19..				Discount.			Bought Ledger.			Nominal Ledger.			General Ledger.			Total.		
July	1	By Petty Cash -	3									30	0	0	30	0	0
,,	2	,, Wages and Salaries -	1							7	10	0				7	10	0
,,	5	,, T. Waters - -	1				500	0	0							500	0	0
,,	8	,, Advertising %	2							29	15	0				29	15	0
,,	14	,, J. Jackson -	2				500	0	0							500	0	0
,,	15	,, Books and Stationery - -	3							35	0	0				35	0	0
,,	16	,, Wages and Salaries - - -	1							15	0	0				15	0	0
,,	19	,, Drawing % -	2										25	0	0	25	0	0
,,	23	,, Wages and Salaries - - -	1							7	10	0				7	10	0
,,	25	,, B. Bell - -	4				155	0	0							155	0	0
,,	30	,, T. Waters - -	1				200	0	0							200	0	0
,,	,,	,, Wages and Salaries - - -	1							7	10	0				7	10	0
,,	,,	,, Trade Charges -	3							19	15	0				19	15	0
,,	,,	,, Rent - -	4							25	0	0				25	0	0
,,	,,	,, Balance carried forward - -														5440	0	0
							1355	0	0	147	0	0	55	0	0	6997	0	0
								(6)			(5)							

Dr. J. JACKSON. Cr. (2)

19..							19..						
July	14	To Cash	1	500	0	0	July	7	By Goods	1	927	0	0
"	"	" Balance	c/d	427	0	0							
				927	0	0					927	0	0

Dr. H. HARRIS. Cr. (3)

19..							19..						
July	30	To Balance	c/d	254	0	0	July	11	By Goods	1	179	0	0
							"	20	" "	1	75	0	0
				254	0	0					254	0	0

Dr. B. BELL. Cr. (4)

19..							19..						
July	25	To Cash	1	155	0	0	July	18	By Goods	1	322	0	0
"	"	" Balance	c/d	167	0	0							
				322	0	0					322	0	0

Dr. T. TROTT. Cr. (5)

19..							19..						
July	30	To Balance	c/d	117	0	0	July	29	By Goods	1	117	0	0
				117	0	0					117	0	0

Dr. GENERAL LEDGER ACCOUNT. Cr. (6)

19..							19..						
July	30	To Purchases	1	2582	0	0	July	30	By Cash	1	1355	0	0
							"	"	" Balance	c/d	1227	0	0
				2582	0	0					2582	0	0

TOWN SALES LEDGER.

Dr. **M. MARINER.** Cr. (1)

19..							19..						
July	2	To Goods	1	121	0	0	July	8	By Cash -	1	115	0	0
							"	"	" Discount	1	6	0	0
				121	0	0					121	0	0

Dr. **T. TRACEY.** Cr. (2)

19..							19..						
July	4	To Goods -	1	217	0	0	July	12	By Cash -	1	125	0	0
							"	30	" Balance -	c/d	92	0	0
				217	0	0					217	0	0

Dr. **G. GOODMAN.** Cr. (3)

19..							19..						
July	7	To Goods -	1	238	0	0	July	14	By Cash -	1	226	0	0
							"	"	" Discount -	1	12	0	0
				238	0	0					238	0	0

Dr. **H. HARTLEY.** Cr. (4)

19..							19..						
July	11	To Goods -	1	191	0	0	July	30	By Balance	c/d	191	0	0

Dr. **SUNDRY BUYERS.** Cr. (5)

19..							19..						
July	30	To Goods -	1	795	0	0	July	30	By Cash -	1	515	0	0
							"	"	" Discount	1	18	0	0
							"	"	" Balance -	c/d	262	0	0
				795	0	0					795	0	0

Dr. **GENERAL LEDGER ACCOUNT.** Cr. (6)

19..							19..						
July	30	To Cash -	1	981	0	0	July	30	By Sales	1	1562	0	0
"	"	" Discount -	1	36	0	0							
"	"	" Balance -	c/d	545	0	0							
				1562	0	0					1562	0	0

COUNTRY SALES LEDGER.

(1)

Dr. B. BROWN. Cr.

19..							19..						
July	5	To Goods	1	327	0	0	July	11	By Cash	1	200	0	0
							,,	,,	,, Balance	c/d	127	0	0
				327	0	0					327	0	0

(2)

Dr. C. CARR. Cr.

19..							19..						
July	8	To Goods	1	120	0	0	July	12	By Cash	1	75	0	0
							,,	,,	,, Balance	c/d	45	0	0
				120	0	0					120	0	0

(3)

Dr. D. DRURY. Cr.

19..							19..						
July	12	To Goods	1	415	0	0	July	18	By Cash	1	250	0	0
							,,	,,	,, Balance	c/d	165	0	0
				415	0	0					415	0	0

(4)

Dr. E. EVERETT. Cr.

19..							19..						
July	16	To Goods	1	91	0	0			By Balance	c/d	91	0	0

(5)

Dr. SUNDRY BUYERS. Cr.

19..							19..						
July	30	To Goods	1	746	0	0	July	30	By Cash	1	491	0	0
							,,	,,	,, Discount	1	14	0	0
							,,	,,	,, Balance	c/d	241	0	0
				746	0	0					746	0	0

(6)

Dr. GENERAL LEDGER ACCOUNT. Cr.

19..							19..						
July	30	To Cash	1	1016	0	0	July	30	By Sales	1	1699	0	0
,,	,,	,, Discount	1	14	0	0							
,,	,,	,, Balance	c/d	669	0	0							
				1699	0	0					1699	0	0

NOMINAL LEDGER.

Dr. WAGES AND SALARIES. **Cr.** (1)

19..				£	s.	d.	19..				£	s.	d.
July	2	To Cash	- 1	7	10	0	July	30	By General Ledger % -		37	10	0
,,	16	,, ,,	- 1	15	0	0							
,,	23	,, ,,	- 1	7	10	0							
,,	30	,, ,,	- 1	7	10	0							
				37	10	0					37	10	0

Dr. ADVERTISING ACCOUNT. **Cr.** (2)

19..				£	s.	d.	19..				£	s.	d.
July	8	To Cash	- 1	29	15	0	July	30	By General Ledger % -		29	15	0

Dr. TRADE CHARGES. **Cr.** (3)

19..				£	s.	d.	19..				£	s.	d.
July	15	To Cash	- 1	35	0	0	July	30	By General Ledger % -		54	15	0
,,	30	,, ,,	- 1	19	15	0							
				54	15	0					54	15	0

Dr. RENT ACCOUNT. **Cr.** (4)

19..				£	s.	d.	19..				£	s.	d.
July	30	To Cash	- 1	25	0	0	July	30	By General Ledger % -		25	0	0

Dr. GENERAL LEDGER ACCOUNT. **Cr.** (5)

19..				£	s.	d.	19..				£	s.	d.
July	30	To Sundry %s		147	0	0	July	30	By Cash	- 1	147	0	0

GENERAL LEDGER.

Dr. CAPITAL ACCOUNT. **Cr.** (1)

19..				£	s.	d.	19..				£	s.	d.
							July	1	By Cash	- 1	5000	0	0

(2)

Dr. DRAWING ACCOUNT. Cr.

19..													
July	19	To Cash	-	1	25	0	0						

(3)

Dr. PETTY CASH ACCOUNT. Cr.

19..													
July	1	To Cash	-	1	30	0	0						

(4)

Dr. TOWN SALES LEDGER ACCOUNT. Cr.

19..								19..							
July	30	To Sales %	-	c/e	1562	0	0	July	30	By Cash	-	1	981	0	0
								,,	30	,, Discount		c/e	36	0	0
								,,	,,	Balance	-	c/d	545	0	0
					1562	0	0						1562	0	0

(5)

Dr. COUNTRY SALES LEDGER ACCOUNT. Cr.

19..								19..							
July	30	To Sales %	-	c/e	1699	0	0	July	30	By Cash	-	1	1016	0	0
								,,	,,	,, Discount		c/e	14	0	0
								,,	,,	,, Balance	-	c/d	669	0	0
					1699	0	0						1699	0	0

(6)

Dr. PURCHASES LEDGER ACCOUNT. Cr.

19..								19..							
July	30	To Cash	-	1	1355	0	0	July	30	By Purchases					
,,	,,	,, Balance	-	c/d	1227	0	0			%	-	c/e	2582	0	0
					2582	0	0						2582	0	0

(7)

Dr. NOMINAL LEDGER ACCOUNT. Cr.

19..								19..							
July	30	To Cash-	-		147	0	0	July	30	By Wages & Salaries %		c/e	37	10	0
								,,	,,	,, Advertising %	-	c/e	29	15	0
								,,	,,	,, Trade Charges %		c/e	54	15	0
								,,	,,	,, Rent %	-	c/e	25	0	0
					147	0	0						147	0	0

Dr. SALES ACCOUNT (8) Cr.

19..						19..					
July 30	To Balance	c/d	3261	0	0	July 30	By Town Ledger % -	c/e	1562	0	0
						" "	" Country Ledger % -	c/e	1699	0	0
			3261	0	0				3261	0	0

Dr. PURCHASES ACCOUNT. (9) Cr.

19..						19..					
July 30	To Purchases Ledger % -	c/e	2582	0	0	July 30	By Balance -	c/d	2582	0	0

Dr. WAGES AND SALARIES ACCOUNT. (10) Cr.

19..						19..					
July 30	To Nominal Ledger % -	c/e	37	10	0	July 30	By Balance -	c/d	37	10	0

Dr. ADVERTISING ACCOUNT. (11) Cr.

19..						19..					
July 30	To Nominal Ledger % -	c/e	29	15	0	July 30	By Balance -	c/d	29	15	0

Dr. TRADE CHARGES ACCOUNT. (12) Cr.

19..						19..					
July 30	To Nominal Ledger % -	c/e	54	15	0	July 30	By Balance -	c/d	54	15	0

Dr. RENT ACCOUNT. (13) Cr.

19..						19 .					
July 30	To Nominal Ledger % -	c/e	25	0	0	July 30	By Balance -	c/d	25	0	0

Dr. DISCOUNT ACCOUNT. (14) Cr.

19..						19..					
July 30	To Sundry %s Town Sales Ledger % £36	c/e									
	Country Sales Ledger % £14	c/e	50	0	0	July 30	By Balance -	c/d	50	0	0

TRIAL BALANCES.

PURCHASES LEDGER.

General Ledger % -	1227	0	0	T. Waters -	262	0	0
				J. Jackson -	427	0	0
				H. Harris -	254	0	0
				B. Bell- -	167	0	0
				T. Trott -	117	0	0
	1227	0	0		1227	0	0

TOWN SALES LEDGER.

T. Tracey -	92	0	0	General Ledger % -	545	0	0
H. Hartley -	191	0	0				
Sundry buyers	262	0	0				
	545	0	0		545	0	0

COUNTRY SALES LEDGER.

B. Brown- -	127	0	0	General Ledger % - -	669	0	0
C. Carr - -	45	0	0				
D. Drury- -	165	0	0				
E. Everett -	91	0	0				
Sundry Buyers -	241	0	0				
	669	0	0		669	0	0

GENERAL LEDGER.

Drawing % -	25	0	0	Capital % -	5000	0	0
Petty Cash -	30	0	0	Purchases Ledger % -	1227	0	0
Town Ledger %	545	0	0	Sales % -	3261	0	0
Country ,,	669	0	0				
Discount % -	50	0	0				
Purchases % -	2582	0	0				
Wages and Salaries- -	37	10	0				
Advertising -	29	15	0				
Trade Charges -	54	15	0				
Rent - -	25	0	0				
Bank balance -	5440	0	0				
	9488	0	0		9488	0	0

Exercise XXV.

Raise in the Ledgers the accounts used in the previous exercise, and bring down the balances shown in the answer thereto. It will be remembered that there were no balances in the Nominal Ledger, but the various expense accounts will be required there as before.

The following are the entries for August, which are to be dealt with as in Exercise XXIV. A Journal may be used for the bill transactions, or they may be passed through a Bills Book.

In the Invoice Book :—

Aug. 2.	Purchased Goods of H. Harris	114	0	0
,, 4.	,, ,, T. Waters	763	0	0
,, 8.	,, ,, B. Bell	595	0	0
,, 15.	,, ,, T. Trott	141	0	0
,, 20.	,, ,, H. Harris	43	0	0
,, 29.	,, ,, J. Jackson	612	0	0

In the Day Book, *Town* :—

Aug. 4.	Sold Goods to H. Hartley	195	0	0
,, 8.	,, ,, G. Goodman	312	0	0
,, 17.	,, ,, T. Tracey	140	0	0
,, 31.	,, ,, Sundry Buyers	613	0	0

In the Day Book, *Country* :—

Aug. 3.	Sold Goods to D. Drury	307	0	0
,, 8.	,, ,, E. Everett	71	0	0
,, 19.	,, ,, C. Carr	114	0	0
,, 24.	,, ,, B. Brown	191	0	0
,, 31.	,, ,, Sundry Buyers	593	0	0

In the Cash Book, Bank :—

Aug. 2.	Paid T. Waters (discount £2)	60	0	0
,, 4.	Received from T. Tracey (do. £2 6s.) ..	89	14	0
,, 6.	Paid T. Trott	57	0	0
,, ,,	Received from sundry buyers, Town ..	160	0	0
,, ,,	Received from sundry buyers, Country ..	140	0	0
,, ,,	Paid Wages and Salaries	7	10	0
,, 8.	,, B. Bell	80	0	0
,, 12.	Received from D. Drury	200	0	0
,, 13.	Paid H. Harris	111	0	0
,, ,,	,, J. Jackson	300	0	0
,, ,,	Received from H. Hartley	180	0	0
,, ,,	Paid Wages and Salaries	7	10	0

EXERCISE XXV—(*continued*).

Aug. 18.	Personal Drawings	25	0	0
,, ,,	Paid T. Trott	41	0	0
,, ,,	Received from sundry buyers, Town ..	280	0	0
,, ,,	Received from sundry buyers, Country ..	320	0	0
,, ,,	Paid Wages and Salaries	7	10	0
,, 24.	,, Advertisement a/c	15	10	0
,, ,,	Received from G. Goodman	152	0	0
,, ,,	,, E. Everett	100	0	0
,, 27.	Paid J. Jackson	400	0	0
,, ,,	,, Wages and Salaries	7	10	0
,, 29.	Personal Drawings	25	0	0
,, ,,	Paid T. Trott	100	0	0
,, ,,	,, T. Waters	700	0	0
,, 31.	,, one month's Rent	25	0	0
,, ,,	Petty Cashier for petty charges during the month	17	12	6

The following bills had been received accepted :—

Aug. 4.	T. Tracey	140	0	0
,, 8.	H. Hartley	200	0	0
,, ,,	G. Goodman	150	0	0
,, 31.	Sundry Town buyers	300	0	0
,, ,,	,, Country ,, ...	200	0	0
,, ,,	B. Brown	200	0	0
,, ,,	C. Carr	159	0	0

We had accepted bills as under :—

Aug. 1.	T. Waters	200	0	0
,, 4.	H. Harris	143	0	0
,, 15.	B. Bell	100	0	0

Take the value of stock on hand at £350. By means of Trading and Profit and Loss Accounts close the books as at the end of August, and prepare Balance Sheet.

In working this exercise the Bills Receivable Account, which is to be in the General Ledger, must be debited, and the Sales Ledger Accounts respectively credited with the total amount of the bills for the month ; and the Bought Ledger Account must be debited with the total of bills accepted, the Bills Payable Account being credited.

Exercise XXVI.

On 31st August the following was the Balance Sheet of Thomas Newman :—

ASSETS.

Bank		£5074	11 6
Petty cash (imprest)		30	0 0
Bills receivable		1349	0 0
Sundry debtors—Town		135	0 0
„ „ Country		174	0 0
H. Hartley, Town		6	0 0
G. Goodman, „		10	0 0
B. Brown, Country		118	0 0
D. Drury, „		272	0 0
E. Everett, „		62	0 0
Stock		350	0 0

LIABILITIES.

Bills payable	443	0 0
T. Waters	63	0 0
J. Jackson	339	0 0
H. Harris	157	0 0
B. Bell	582	0 0
T. Trott	60	0 0
Capital Account	5936	11 6

These balances must be entered in the proper Ledgers—Bought, Country, Town, and General.

The Ledgers were self-proving and in addition to the balances shown above the following appeared in the various Ledgers.

In the General Ledger :—

Purchases Ledger Account					1201	0	0
Town Ledger Account	151	0	0				
Country Ledger Account	626	0	0				

In the Purchases Ledger :—

General Ledger Account	1201	0	0				

In the Country Ledger :—

General Ledger Account					626	0	0

In the Town Ledger :—

General Ledger Account					151	0	0

EXERCISE XXVI.—(*continued*).

Having raised the proper accounts and arranged for Nominal Ledger, enter the following transactions in the usual subsidiary books, post to Ledger Accounts, and draw out Trial Balances.

(A Cash Sales Account will be wanted in the Town Sales Ledger and a Cash Purchases Account in the Bought Ledger, with corresponding columns in the Cash Book.)

INVOICE BOOK.

Sept. 1	H. Harris	27	0	0
,, 5	J. Jackson	115	0	0
,, 8	T. Waters	319	0	0
,, 14	B. Bell ..	127	0	0
,, 20	T. Trott	296	0	0
,, 27	E. Stevens	121	0	0

COUNTRY DAY BOOK.

Sept. 3	D. Drury	175	0	0
,, 6	C. Carr ..	215	0	0
,, 9	E. Everett	125	0	0
,, 12	B. Brown	197	0	0
,, 15	W. Edwards	96	0	0
,, 20	D. Drury	115	0	0
,, 24	H. Bell..	28	0	0
,, 30	Sundry buyers for the month	491	0	0

TOWN DAY BOOK.

Sept. 7	T. Tracey	119	0	0
	H. Hartley	87	0	0
,, 10	G. Goodman	227	0	0
,, 14	B. Baldwin	74	0	0
,, 20	T. Tracey	54	0	0
,, 27	J. Jackson	115	0	0
,, 30	Sundry buyers for the month	725	0	0

RETURNS INWARD BOOK.

	Sundry Town buyers	27	0	0

CASH BOOK.

Sept. 3	Bills payable paid by bank	397	0	0
	,, receivable paid at bank	1011	0	0
	Wages and Salaries	8	5	0
,, 8	Paid J. Jackson (discount £11 10s. 0d.)	218	10	0
	,, B. Bell (,, £29)	553	0	0
,, 10	Received of J. Drury (discount, £13 10s. 0d.)	258	10	0
	,, Sundry debtors, Country	116	0	0
	,, ,, Town	105	0	0
	Wages and Salaries	8	10	0

EXERCISE XXVI.—(*continued*).

Sept. 12	Cash Sales	71	15	0
,, 14	,, Purchases	46	0	0
,, 15	Paid advertising account	6	15	0
,, 17	,, repairs to Fittings, etc.	11	10	0
	,, Wages and Salaries	8	10	0
,, 20	,, H. Harris on a/c	100	0	0
	Received of E. Everett (discount £2) ..	60	0	0
	,, R. Brown	118	0	0
,, 24	,, H. Hartley on a/c	56	0	0
	,, Sundry debtors, Town	115	0	0
	,, ,, Country ..	219	0	0
	Wages and Salaries	8	10	0
,, 26	Paid T. Waters on a/c	100	0	0
,, 27	,, T. Trott ,, ...	100	0	0
,, 30	Personal drawings	35	0	0
	Paid Petty Cashier for sundries during the month	24	17	6
	Cash Sales	91	0	0
	,, Purchases	74	0	0

Drew the following bills which were duly accepted :—

Sept. 3	On D. Drury	175	0	0
,, 12	,, W. Edwards	96	0	0
,, 17	,, G. Goodman	227	0	0
,, 28	,, Sundry debtors, Country	315	0	0

Accepted the following bills :—

Sept. 8	Drawn by T. Waters	200	0	0
,, 11	,, J. Jackson	150	0	0
,, 20	,, T. Trott	196	0	0

CHAPTER XXV

RESERVES.

For the purpose of this work Reserves may be broadly divided into two classes, viz.:—

1. Those created to meet some anticipated loss (or, more rarely, to provide for some prospective profit), which are known as *Reserves or Provisions.*
2. Those created to provide additional working capital, or to increase the financial stability of a business, which are known as *Reserve Funds or Reserve Accounts.*

These two classes of Reserves differ materially both in their natures and objects, and it is important that the student should fully appreciate the distinction between them.

RESERVES (or PROVISIONS).

A *Reserve* (*or Provision*) is a sum *charged against gross* profits and set aside to meet some future known but unascertained loss. The term is also applied, in a few cases, to sums credited to Profit and Loss Account before net profits are ascertained, in order to anticipate contingent profits.

The most common instances of the creation of such Reserves are as follow:—

(1) **Reserve for Bad and Doubtful Debts.**—Almost every class of business suffers more or less severely from losses by Bad Debts. It is a common practice to "write them off" as and when they are discovered to be actually irrecoverable (see Chapter XII).

This system has, however, two serious objections, viz.:—

(*a*) The periodical charges for Bad Debts fluctuate considerably, and, as more Bad Debts are naturally incurred during periods of bad trade, heavier charges fall against Profit and Loss when the business is least able to bear them.

(*b*) Doubtful debts are ignored, because only actual Bad Debts are dealt with. Consequently, the assets are overstated in the Balance Sheet, as it is improbable that the debts will realise the value placed upon them.

These difficulties are overcome by providing *in advance* a *Reserve* to cover losses by Bad Debts. The amount of this Reserve (or Provision) may be determined by one of the following methods, viz. :—

(1) A fixed sum sufficient to cover the anticipated losses may be set aside and maintained, or
(2) A percentage of the outstanding debts at the close of each trading period may be reserved, or
(3) Which is more scientifically correct, the list of debtors should be gone through, the age of the debts examined, the usual terms of credit observed, and a specific reserve made in respect of each doubtful debt, the total of such reserves being the amount of provision to be made.

The amount of the Reserve having been determined, it is necessary to introduce it into the books of account. For this purpose a " Reserve for Doubtful Debts Account " must be opened, and credited with the amount of the Reserve, a corresponding debit being made in the Profit and Loss Account, thus,

Profit and Loss Account *Dr.*
To Reserve for Doubtful Debts.
For amount reserved to meet anticipated Bad Debts.

At the close of the next trading period, if the Reserve previously made has been intelligently estimated, there should be a small credit balance on the Reserve for Doubtful Debts Account. The amount of Reserve is again ascertained in accordance with the particular method adopted, and the *excess* of this figure over the balance of the Reserve for Doubtful Debts Account is debited to Profit and Loss Account and credited to the Reserve for Doubtful Debts Account, thus bringing up the credit balance on the latter account to the actual amount of the Reserve fixed upon.

The following is an example of a Reserve for Doubtful Debts Account :—

The debts outstanding at December 31st, 1910, were £5,000, in respect of which a Reserve of 5% was created. On 30th April, 1911, X. and Y. who owed £100 failed, and on 31st October, 1911, A. B.'s debt of £110 was found to be bad. The

debts outstanding at 31st December, 1911, were £5,500 and a similar reserve of 5% is to be made. Show the Reserve for Doubtful Debts Account for the period.

Dr. RESERVE FOR DOUBTFUL DEBTS ACCOUNT. Cr.

1911.		£	1910.		£
April 10	To X. and Y. Bad Debts	100	Dec. 31	To Profit and Loss A/c. 5 % on £5,000	250
Oct. 31	„ A. B. do.	110	1911.		
Dec. 31	„ Balance c/d.	275	Dec. 1	„ Profit and Loss A/c.	235
		485			485
			1911.		
			Dec. 31	„ Balance b/d, being 5 % on £5,500	275

The amount charged to Profit and Loss Account at 31st December, 1911, is arrived at as follows:—

Reserve of 5 per cent. on £5500	£275
Less Balance to credit of Reserve for Doubtful Debts at December 31/11	40
Amount to be charged to Profit and Loss Account at December 31/11	£235

Note.—If the bad debts during the year had amounted to £290, instead of £210, there would have been a *debit* balance of £40 on the Reserve Account and in this case the balance must be *added* to the Reserve made, in order to arrive at the proper charge to Profit and Loss Account, making it £315.

The balance of the Reserve Account must not be shown as a liability in the Balance Sheet, but as a deduction from the total of the debtors.

(2) **Reserves for Discount.**—The need for this reserve arises when the debts which are outstanding at the close of the period of trading will be subject to a cash discount for prompt payment. These allowances are in the nature of losses and must be provided for by making a reserve in respect of them.

This is done by (*a*) taking a certain percentage of the whole of the debts, or (*b*) by ascertaining the discount likely to be allowed on each specific debt, and reserving for the total.

In this case it is *not* customary to open a Reserve for Discounts Account; but to debit the reserve to the discount

account and carry it down as a credit balance. The amount of the reserve is thus incorporated with the charge for Discounts Allowed in the Profit and Loss Account. Example:—

DISCOUNTS ALLOWED. Cr.

1911.		C.B.	£	1911.			£
Dec. 31	To Cash discounts –	9	498	Dec. 31	By Profit and Loss Account –		548
" "	" Estimated reserve for discounts on debtor's 2½% on £2000 –	√	50				
			548				548
				1911. Dec. 31	By Balance b/d	√	50

The credit balance brought down on this account represents the Reserve, which, like the Reserve for Doubtful Debts, must be shown as a deduction from the debtors in the Balance Sheet.

A similar reserve may be made in respect of Discounts *to be received* on payment of the creditors outstanding. To effect this, entries exactly the reverse of the foregoing must be made in the "*Discounts Received Account.*"

Note.—Where a percentage has to be reserved for discounts in addition to a reserve for doubtful debts, the latter reserve must *first* be deducted from the total debtors, and the discount reserve calculated upon the balance remaining. Obviously discounts cannot be allowed on debts which are sufficiently overdue to warrant them being regarded as "doubtful."

(3) **Reserves for Accruing Assets and Liabilities.**—These reserves relate to the apportioning of expenses such as rent, rates, taxes, wages, interest and other periodical payments. Where such payments have accrued due during the closing period and have not been paid, it is necessary to create a reserve for the accrued portion.

These reserves are *debited* to the appropriate expense account and carried down as *credit* balances in the same way as the Reserve for Discount, the balances being treated as liabilities in the Balance Sheet.

There are cases in which charges, a portion of which relate to the new period, have been paid in the closing period, as, for instance, insurance premiums (which are payable in

advance). In such cases it is necessary to *credit* the new period's share to the appropriate nominal account and carry down the reserve as a *debit* balance, which appears in the Balance Sheet as an asset.

Reserves are made in a similar way for such items as Repairs, Carriage, etc., when the expense has been incurred but not paid, the reserve appearing as a balance on the account after the transfer to Profit and Loss Account has been made.

The student should understand that the effects of making the reserves and carrying them down as balances are as follows:—

(*a*) An equitable charge for expenses is made against Profit and Loss Account.
(*b*) The assets and liabilities are accurately stated in the Balance Sheet.
(*c*) The balance carried down goes to reduce the charge for the ensuing period when the expense is actually paid and debited to the account.

RESERVE FUNDS AND RESERVE ACCOUNTS

A **Reserve Fund or Reserve Account** is an *accumulation of net profits*, after all expenses, including reserves or provisions, such as those referred to earlier in this chapter, have been properly charged in the accounts.

The *object* of such a reserve is to conserve the resources of a business either for the purpose of—

(1) providing extra working capital, or
(2) increasing the financial stability of the concern.

It will be evident to the student that, as the Reserve is an accumulation of net profits, it must necessarily be represented by surplus assets, since net profits can only exist to the extent to which the assets exceed the liabilities (including capital). Consequently, there cannot co-exist on a Balance Sheet a Reserve Fund or Reserve Account, and a debit balance of Profit and Loss Account. It is a contradiction in terms, and in such a case the Reserve must be reduced by the amount of the debit balance of Profit and Loss Account and the latter eliminated, or the Reserve must be deducted from the debit balance of Profit and Loss Account and taken

out of the liabilities' side of the Balance Sheet, according to whether the Reserve or the Profit and Loss Account debit balance is the greater.

The question as to what is the difference between a "Reserve Fund" and a "Reserve Account" is a fruitful source of controversy between accountants. It is unnecessary to discuss the point at length here; but it may briefly be referred to.

It has been said that the Reserve must be represented by surplus Assets. The circumstances of each business and the purpose of the Reserve must determine the nature of such surplus assets. Speaking generally, it is advisable that the Reserve should be invested *outside the business* in easily realisable and well-secured investments, so that it is readily available in case of need. The fact, however, that the Reserve is not separately invested, but is retained in the business for working capital, or is used for extensions of Buildings and Machinery, does not make it any less a reserve. As a general rule, the student will be safe in applying to the reserve the term "*Reserve Fund*" when it is represented by investments, and "*Reserve Account*" when it is represented by fixed or floating assets used in the business.

The creation of a Reserve Fund or Reserve Account, and of additions thereto, is recorded as follows:—

The Profit and Loss Account is debited (in the third or "appropriation" part) with the amount of the Reserve made, and Reserve Fund or Reserve Account is credited. The balances of the latter accounts, being credit balances, are stated separately on the Balance Sheet as liabilities.

Secret Reserves are reserves, similar in nature to Reserve Funds and Accounts, which are not disclosed on the face of the Balance Sheet. They may be created—

(1) By excessive charges for depreciation, and excessive reserves for bad and doubtful debts, discounts, etc.
(2) By the omission of assets.
(3) By charging capital items to Revenue.

Probably the best known instance of a Secret Reserve is the omission of Buildings from the Balance Sheet of the Bank of England.

CHAPTER XXVI.

FORMATION OF JOINT STOCK COMPANIES.

Joint Stock Companies or *Limited Companies* (to use the term commonly applied) are formed under the Companies (Consolidation) Act of 1908. The great advantage which they possess over unlimited companies and partnerships is that the liability of their members is limited to the face (or nominal) value of the shares they hold. Every Limited Company possesses a "*Memorandum of Association*," which defines the "*objects*" of the Company and the amount of its "*Share Capital*," and "*Articles of Association*," which are the rules for the internal government of the Company. A limited company may be either a private or a public company.

A Private Company is one which by its articles—

(*a*) Restricts the right to transfer its shares;

(*b*) Limits the number of its members (not including persons in the employment of the company) to fifty;

(*c*) Prohibits any invitation to the public to subscribe for any of its shares or debentures.

The minimum number of members required is two.

A Public Company is one which obtains its capital from the general public, and it must consist of at least seven members.

When a Public Company is "floated," the procedure is along the following lines:—

The "promoters" (*i.e.*, the persons responsible for the formation of the Company) issue a "*prospectus*" of the proposed new Company. The prospectus sets forth the terms upon which the Company is formed, and its prospects of success, and invites the public to subscribe for the shares upon the conditions stated therein. Accompanying the prospectus is an "*Application Form*," which the intending subscriber must fill up, sign, and forward, along with a cheque for the sum payable on application, to the Company or to its Bankers. Attached to the application form is a

blank form of receipt, which the Company (or its Bankers) fill up, sign, and return to the applicant.

When the applications have been received, the Secretary of the Company enters the particulars contained on each form in the "Application and Allotment Book," which is ruled to receive the necessary information.

The "*Directors*" of the Company then meet and proceed to "allot" the shares to the applicants as their discretion dictates. The Secretary forwards to the allottees an "Allotment Letter" (upon which is an impressed 6d. stamp), stating the number of shares allotted and the amount due on allotment, which the allottee (now the "*shareholder*") must remit, and in exchange receive an "*allotment receipt.*" The Secretary then proceeds to make the necessary entries of allotment in the Application and Allotment Book and to open the shareholders' accounts in the "*Share Register,*" debiting them with the amounts due and crediting them with the cash received. Subsequently the Directors proceed to make "Calls" on the shares, in accordance with the terms of the prospectus, notice of which is served upon the shareholders, who remit the amounts due and receive "*Call Receipts.*" The Secretary enters up in a "*Call Book*" the amount due and received from each shareholder on account of the Calls, which are kept distinct from one another in the Call Book. The Company then issues "*Share Certificates,*" which are exchanged for the Application, Allotment, and Call Receipts held by the shareholders.

If a shareholder wishes to dispose of his shares to another person he does so by filling up a "*Transfer Form*" bearing the requisite stamp duty impressed upon it, the transfer form being signed by both the transferor and the transferee. This form is forwarded to the Company along with the Share Certificate. The Secretary obtains the sanction of the Directors to the transfer, records the transfer in the "*Register of Transfers,*" issues a fresh share certificate to the new shareholder, and makes the necessary transferring entries in the Share Register.

The *Nominal Share Capital* of a Company is the amount the Company is empowered by its Memorandum of Association to issue.

The *Subscribed Capital* is the face value of that portion of

the Nominal Capital which has actually been subscribed for and issued to the public.

The *Paid-up Capital* is the amount actually paid up by shareholders, in pursuance of calls, on the Subscribed Capital.

It must be observed that the Application and Allotment Book, Call Book, Share Register, and Register of Transfers do not constitute an integral part of the financial books of the Company. They are merely Statistical or Memorandum Books.

The foregoing transactions are recorded in the financial books of the Company as follows:—

(1) An "*Application and Allotment Account*" is opened and debited with the total amount due on (*a*) application and (*b*) allotment, the figures being derived from the totals of the Application and Allotment Book. The corresponding credits are made in a "*Share Capital Account.*"

(2) The Cash received on application and allotment is debited to the Cash Book and credited to the Application and Allotment Account.

(3) As each Call is made, a First, Second, Third, etc., "*Call Account*" is credited with the total amount due on the respective Calls, as ascertained from the Call Book, and the Share Capital Account credited with corresponding amounts.

(4) The Cash received on each Call is separately debited to the Cash Book and credited to the appropriate Call Accounts.

All the above entries, with the exception of the cash, must, in every case, be recorded in the Journal. The Application and Allotment, and the Call Accounts, are summarised *personal* accounts, the Share Capital Account being the corresponding *impersonal* account.

Debit balances remaining on the Application and Allotment Accounts, and the Call Accounts, represent "*Calls in Arrear*" due from shareholders, and they should agree with the total of the debit balances shown in the detailed accounts of the shareholders in the Share Register.

The following example will show how the transactions should be recorded in the Company's financial Books:—

"The A. B. Co., Ltd., is formed with a Nominal Capital of £50,000, divided into 50,000 Shares of £1 each. On May 1st, 1911, 40,000 shares are applied for, and are allotted on May 10th, 1911. The amount due on application was 2s. 6d. per share, and on allotment a further 2s. 6d. per share. On June 1st, 1911, the first call was made at the rate of 5s. per share, and on September 1st, 1911, a second call was made also at the rate of 5s. per share. All the calls were met with the exception of the amount due on Second Call on 1,000 shares."

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1911			£	£
May 1	Application and Allotment A/c. Dr.	2	5000	
	To Share Capital A/c.	1		5000
	Amount due on application for 40,000 shares @ 2s. 6d. per share			
,, 10	Application and Allotment A/c. Dr.	2	5000	
	To Share Capital A/c.	1		5000
	Amount due on allotment of 40,000 shares @ 2s. 6d. per share ..			
June 1	First Call Account .. .. Dr.	3	10000	
	To Share Capital A/c.	1		10000
	Amount due on 1st call of 5s. per share on 40,000 shares			
Sept. 1	Second Call Account .. Dr.	4	10000	
	To Share Capital A/c.	1		10000
	Amount due on 2nd call of 5s. per share on 40,000 shares			

Dr. CASH BOOK. Cr.

1911			£	1911		£
May 1	To Application and Allotment Account – Cash received on application.	2	5000	Sept. 30	By Balance c/d.	29750
,, 20	To Application and Allotment Account – Cash received on Allotment.	2	5000			
June 20	To First Call Account. Cash received on First Call.	3	10000			
Sept. 30	To Second Call Account Cash received on Second Call.	4	9750			
			29750			29750
1911 Oct. 1	To Balance b/d.	√	29750			

(1)

SHARE CAPITAL ACCOUNT.
Nominal Capital, 50,000 *shares of £1 each.*

Dr.						Cr.	
				1911			£
				May 1	By Application and Allotment Account	J.	5000
				,, 10	,, do. –	J.	5000
				June 1	,, First Call A/c. –	J.	10000
				Sept. 1	,, Second Call A/c.	J.	10000
							30000

(2)

APPLICATION AND ALLOTMENT ACCOUNT.

Dr.							Cr.	
1911			£					£
May 1	To Share Capital A/c. –	J.	5000	May 1	By Cash – –		C.B.	5000
,, 10	,, do. –	J.	5000	,, 20	,, do. –		C.B.	5000
			10000					10000

(3)

FIRST CALL ACCOUNT.

Dr.							Cr.	
1911			£	1911				£
June 1	To Share Capital A/c.	J.	10000	June 20	By Cash – –		C.B.	10000

(4)

SECOND CALL ACCOUNT.

Dr.							Cr.	
1911			£	1911				£
Sept. 1	To Share Capital A/c.	J.	10000	Sept. 30	By Cash – –		C.B.	9750
				,, ,,	,, Balance c/d.		√	250
			10000				..	10000
1911			£					
Oct. 1	To Balance b/d. –	√	250					

If the foregoing were the only transactions of the Company up to September 30th, 1911, the Balance Sheet at that date would read as follows:—

BALANCE SHEET AT SEPTEMBER 30TH, 1911.

LIABILITIES.		ASSETS.	
Nominal Capital—			
50,000 shares of £1 each £50,000			
Subscribed Capital—		Cash	29750
40,000 shares of £1 each 15s. per share called up £30,000			
Less Calls in Arrear 250			
	29750		
	£29750		£29750

Observe that the Nominal Capital of the Company is stated both in the Share Capital Account and in the Balance Sheet by way of a memorandum, and that the "Calls in Arrear" are deducted from the Share Capital, showing the net amount of Capital received.

Shares issued for consideration other than Cash. It is not essential that shares should be always paid for in cash. They may be allotted for a "consideration other than cash," such as, for services rendered, or for the transfer of assets. In such cases the treatment of the issue of the shares in the books of the Company differs from that outlined above. They do not pass through the Application, Allotment, and Call Accounts, as do shares issued for cash; but a personal account is opened in the name of the person to whom the issue is made, and this account is credited with the amount of the consideration, the debit being made in an appropriate Real or Nominal Account, according to whether the consideration consists of assets or services. The personal account is then debited with the value of the shares allotted, and Share Capital Account credited.

The following example will illustrate:—

The A. B. Co., Ltd., whose books we have just opened, was formed to take over the business of William White, draper. The purchase price of the business was agreed at £20,000, payable one-half in fully-paid-up shares, and one-half in cash. White's assets comprise: Buildings, £6,000; Fixtures, £1,000; Debtors, £1,000; Stock, £9,000; and he owes £2,000. The transfer took place on October 1st, 1911.

It will be observed that White's assets exceed his liabilities by £15,000, whereas the purchase price is £20,000. The excess of £5,000 must, therefore, be assumed to represent Goodwill.

The entries recording the transfer must pass through the Journal as follows:—

1911			£	£
Oct. 1	Sundries Dr.			
	To Vendor's Account	11		22000
	Buildings	5	6000	
	Fixtures	6	1000	
	Sundry Debtors (posted in detail) ..	9	1000	
	Stock	7	9000	
	Goodwill	8	5000	
	Being the value of the assets transferred to the Company.			

1911			£	£
Oct. 1	Vendor's Account Dr.	11	2000	
	To Sundry Creditors (posted in detail)	10		2000
	Liabilities taken over by the Company on the transfer of the business.			
	Vendor's Account Dr.	11	10000	
	To Share Capital Account	1		10000
	For 10,000 fully paid-up shares of £1 each, allotted in part-payment of purchase money.			

After posting to the Ledger, the foregoing entries and the record of the cash payment, the accounts in the books of the Company will read as follows:—

(1)
Dr. SHARE CAPITAL ACCOUNT. Cr.

1911		£
Sept. 30	By Balance - -	√ 30000
Oct. 1	„ Vendor's A/c. -	10000
		40000

Dr. CASH BOOK. Cr.

1911			£	1911			£
Sept. 30	To Balance - -	√	29750	Oct. 1	By Vendor's A/c. Part payment of purchase price -	11	10000
				„ „	„ Balance c/d. -	√	19750
			29750				29750
1911 Oct. 1	By Balance b/d. -	√	£ 19750				

(5)
Dr. BUILDINGS ACCOUNT. Cr.

1911			£
Oct. 1	To Vendor's Account	J.	6000

(6)
Dr. FIXTURES ACCOUNT. Cr.

1911			£
Oct. 1	To Vendor's Account	J	1000

(7)
Dr. STOCK ACCOUNT. Cr.

1911			£
Oct.	To Vendor's Account	J.	9000

(8)

Dr. GOODWILL ACCOUNT Cr.

1911			£				
Oct. 1	To Vendor's Account	J.	5000				

(9)

Dr. SUNDRY DEBTORS. Cr.

1911			£				
Oct. 1	To Vendor's Account	J.	1000				

(10)

Dr. SUNDRY CREDITORS. Cr.

				1911			
				Oct. 1	By Vendor's A/c.–	J.	2000

(11)

Dr. VENDOR'S ACCOUNT (Wm. White). Cr.

1911			£	1911			
Oct. 1	To Sundry Creditors	J.	2000	Oct. 1	By Sundries –	J.	22000
,,	,, Share Capital A/c.	J.	10000				
,,	,, Cash– – –	C.B.	10000				
			22000				22000

The Balance Sheet of the A. B. Co., Ltd., would then read as under:—

BALANCE SHEET—October 1st, 1911.

Liabilities.	£	£	Assets.	£
Nominal Capital—				
50,000 shares of £1 each	£50,000		Goodwill	5000
Subscribed Capital—				
10,000 shares of £1 each, issued as fully paid-up	£10000		Buildings	6000
40,000 shares of £1 each, 15s. per share called up	£30000		Fixtures	1000
			Stock	9000
			Debtors	1000
50000	£40000			
Less Calls in arrear	250		Cash	19750
		£39750		
Sundry Creditors		2000		
		£41750		£41750

CHAPTER XXVII.

INACCURATE TRIAL BALANCES, ETC.

MANY rules have been given for detecting errors in the Trial Balance, but only a few of these are found to be of any practical value. Strictly speaking, it should be impossible for errors to appear in Trial Balances, if care is taken in posting. The following directions may prove helpful in obtaining the desired result :—

1. Make sure that the columns of the Trial Balance are properly cast, (*a*) by adding upwards, (*b*) by adding downwards.
2. See that amounts have been carried forward correctly.
3. Test the castings of each Ledger Account, and if any accounts are ruled off see that the *Dr.* total equals the *Cr.* total.
4. Ascertain whether each Ledger balance has been properly entered in the Trial Balance.
5. See that the debit balances of Ledger appear on debit side of Trial Balance ; similarly with the credits.
6. Ascertain the exact difference between the two totals of the Trial Balance ; then see if such difference appears in the Ledger Accounts ; or
7. Halve the difference, and see whether such an amount has been entered on the wrong side.
8. Trace each posting from Cash Book, or Journal, into Ledger, to see if properly entered.
9. Trace each transaction direct from subsidiary books into Ledger and see that each debit has its corresponding credit.
10. Keep units under units, tens under tens, etc.
11. Form all figures carefully.

There are certain accounts which from their very nature must appear always on the same side of a Trial Balance. For example, Cash must always show a debit balance, although the Bank balance may be a credit balance, but only if the

Bank account has been overdrawn. Bills Receivable Account must show a debit balance, and under no conceivable circumstances can Bills Payable be other than a credit. All expenses of the business, such as Rent, Rates, Taxes, Insurance, Wages, Salaries and Trade charges will invariably be debits. Capital Accounts, and all Reserves will be credits, while Private Drawing Accounts will be debits. All property accounts and all accounts due to us will be debits, while all accounts due by us will be credits. A look over the Trial Balance to see that all these accounts are on their proper sides, and a careful scrutiny of such as might appear on either side will sometimes reveal an error.

Other precautions will no doubt suggest themselves to the thoughtful student.

It may sometimes happen that a certain transaction has been overlooked ; when discovered it should be entered in the books on the *date of discovery* and an explanatory note inserted admitting the omission. It must never be entered on any folio which has been previously posted into the Ledger.

Should an entry be wrongly made in any of the books, and such entry be not yet posted into the Ledger, either rule it out neatly with red ink so that the entry may still be read ; or correct it by a *contra* entry, and leave both entries unposted ; then make the proper entry and post it.

Should, however, the original incorrect entry have been posted, make a contra entry, and post that ; and *then* make the correct entry, which also must be posted.

In no case must a penknife be used to erase incorrect entries, as such a proceeding may give rise to grave doubt or suspicion on the part of the employer. Should you make a wrong entry (and such things will happen even to the most experienced book-keeper) acknowledge the error in the manner explained above.

If the wrong account has been debited, then credit it and debit the right account by a Journal entry ; if credited in error, then *vice versâ*. The correcting entries may even be made in the Ledger without going through the Journal.

If an amount has been *underposted*, then add the remainder necessary to put it right on the *same* side ; if *overposted*, then place the necessary correction on the *other* side. This will apply also to errors made in the Cash Book.

Exercise XXVII.

Royal Society of Arts Examinations, 1905.

Stage II.—Intermediate.

Question I.—Henry Johnson, Provision Merchant, holds two Bills Receivable, one being for six months for £100, accepted on 30th June, 1904, by George Jenkins, and the other for five months, accepted on 18th June, 1904, by Alfred Smith, for £90. Give a sketch of a suitable Bills Receivable Book for Henry Johnson and enter the above bills therein. Alfred Smith failed to honour the Bill accepted by him. What entries does such default necessitate in Henry Johnson's books ?

Question II.—A firm of Drapers, whose head office is in London, has three retail branches in the Provinces. State what weekly returns you would expect from the branches, and how you would deal with such returns in the books of the head office.

Exercise.—Austin Brown, whose capital consisted of £2,500 in the Assets Bank, Ltd., commenced business on 1st February, 1904, by opening stores for the sale of tea and coffee ; having adapted the front room of his house (his own freehold) for use as a shop by an outlay of £200 and expended £50 in furniture and fittings. He paid for both items by cheque on 1st February, 1904.

The following were A. Brown's transactions for the period ended 18th February, 1904 :—

1904.

Feb. 2. Drew cheque for £10 for Petty Cash.

" 3. Bought from F. Thompson & Co. 8 chests of China tea for £43 4s. and paid the Government duty thereon of £2 12s. 6d.

" 4. Purchased a coffee-roasting machine from the Machine Supply Co. for £38 10s.

" 5. Sold one chest of tea to A. James & Co. for £6, allowing 2½ per cent. dis. for 1 month.

" " Purchased from G. Mager 1 cwt. of coffee at 87/6 per cwt., and 1½ cwt. do. at 92/- per cwt.

" " Purchased from R. Philips 2 cwts. of coffee at 81/3 per cwt.

" 6. Bought stationery, string, etc., for £6 4s. 2d. and paid cash for the same.

" 7. Drew cheque for £12 10s. for Rates.

" 8. Paid Income Tax (Schedule A) at 1/- in the £ and House Duty at 9d. in the £, the annual value of the house and shop being assessed at £120.

" 9. Bought from the Ceylon Tea Co. three chests of tea at £4 16s. per chest, duty paid.

Feb. 10. Cash Sales for the week amounted to £7 3s. 4d.
" " Ordered advertisements in George Smith's Time-Tables to the amount of £7 10s.
" " Drew cheque for wages, £3 4s. 6d.
" " Drew cheque for Petty Cash, £6 4s. 2d.
" 12. Finding that his roasting machine was unsuitable, sold it for £33 cash down and purchased a larger one from the Machine Supply Co. for £64.
" 13. Paid the Machine Supply Co. for the first machine less 5 per cent. cash dis.
" 14. Sold to the Royal Tea Co. 56 lbs. of "A. B.'s special blend" at 2/- a lb.
" " Received cheque from James & Co. in settlement of their account, less 2½ per cent. cash dis.
" 15. Purchased two bales of Mocha coffee at 192/- per bale from the Coffee Syndicate, Ltd., and gave them an acceptance at one month for the amount of their invoice.
" 16. Paid from Petty Cash a fine of 40/- and 5/- costs for inaccurate scales.
" " Sold G. Mager one cwt. of "A. B.'s pure Coffee" at 94/- per cwt.
" " Paid George Smith one-half of the advertisement, having settled the proof.
" 17. Drew cheque for £3 4s. 6d. for wages.
Cash sales for the week amounted to £11 16s. 2d.
" 18. Drew cheque for £10 for private purposes.

All moneys received were paid into the Bank and (unless otherwise stated) all payments were made by cheque.

Pass the above transactions through the proper books to the Ledger. Balance the accounts as on 18th February, 1904; bring down the balances and extract a Trial Balance.

N.B.—*No* Profit and Loss Account or Balance Sheet to be prepared.

Exercise XXVIII.

Messrs. Alfred Brown and George Robinson are in partnership as cigarette manufacturers, and profits and losses are shared equally. Before arriving at the net profit or loss, the following adjustments have to be made:—

1. Interest allowed on partner's capital at 5 per cent. per annum.
2. Annual depreciation provided on machinery and plant at 10 per cent., and on fixtures and fittings at 5 per cent.
3. Provision made for bad and doubtful debts at 5 per cent.
4. A reserve at £50 made for the Auditor's fee.

The stock in hand on 31st December, 1904, was valued at £6,320.

Make the necessary adjustments, and prepare a Trading Account, a Profit and Loss Account, and a Balance Sheet from the following trial balance :—

TRIAL BALANCE.

(Which is not to be copied.)

31st December, 1904.

Alfred Brown's Capital Account, 1st Jan., 1904				2400	0	0
George Robinson's Capital Account, 1st Jan., 1904				1200	0	0
Alfred Brown's Drawing Account (including interest)	600	0	0			
George Robinson's Drawing Account (including interest)	400	0	0			
Sundry Creditors				4302	0	0
Bills Payable				4380	0	0
Sundry Debtors	5140	0	0			
Plant and Machinery Account	2360	0	0			
Loan Account				2000	0	0
Fixtures and Fittings Account ..	680	0	0			
Goodwill Account	500	0	0			
Stock Account, 1st Jan., 1904	6720	0	0			
Cash in Hand	18	0	0			
Cash at the Bank	1252	0	0			
Purchases (including Government Duty)	19087	0	0			
Manufacturing Wages	3402	0	0			
Sales Account				28895	0	0
Salaries „	950	0	0			
Licenses and Insurance Account ..	54	0	0			
Returns from Customers „ ..	822	0	0			
Carriage and Export Charges Account ..	210	0	0			
Commission and Traveller's Expenses Account	130	0	0			
Tobacco Returns to Creditors' Account ..				184	0	0
Rents, Rates and Assessed Taxes „ ..	200	0	0			
Gas and Water Account	41	0	0			
Interest and Discount Account ..	100	0	0			
Trade Expenses	251	0	0			
Income Tax (Schedule D.) Account ..	42	0	0			
Bad and Doubtful Debts „ ..	402	0	0			
	43361	0	0	43361	0	0

Exercise XXIX.

Royal Society of Arts Examinations, 1906.

Stage II.—Intermediate.

Question I.—Mr. Henry Barrows keeps his books upon the double entry system. At the periodical stocktaking his book-keeper extracts a "Trial Balance" from his Ledgers; and, after adjusting some errors, finds that the total of the

debit balances equals the total of the credit balances. Is this agreement an absolute proof that the books are correct in every respect and that no further errors exist ? Give reasons for your answer. What further tests, if any, would you apply ?

Question II.—Submit rulings for a Cash Book suitable for a professional man, who keeps no Petty Cash Book, but passes both cash and cheque receipts and payments through the same Cash Book. Make three entries on the debit side and six on the credit side. Close and rule off the Cash Book.

Exercise.—On 1st January, 1906, John Smith's Assets were as follows :—

Stock in hand..	£342	4	7
Freehold Property	1000	0	0
Furniture and Fittings..	92	10	4
Cash at Bankers	25	8	9
,, in hand	19	5	2
Owing by John Bell	38	10	0
,, E. Walters	26	2	3
,, Black & Co...	169	10	0

The liabilities on same date were :—

Due to A. Brown & Co., Ltd.	64	2	0
,, W. White & Son	226	7	1
Bill payable	60	0	0
Loan due to G. Robinson	50	0	0

Open the Ledger, showing the position as on 1st January, 1906 ; and pass to it, through the proper books, the following transactions :—

1906.	
Jan. 2.	Accepted Bill drawn by W. White & Son for the amount of their account, at 3 months.
,, ,,	Sold to John Bell one electrically-heated stewpan, £1 19s., two omelet pans at £1 10s. each, three saucepans at £1 10s. each, three hot plates at £3 each, one hot-water jug £1 7s. 6d, and one kettle £4 5s.
,, ,,	Received from Black & Co. £50 on account.
,, 3.	Drew a cheque for £10 for private purposes.
,, 4.	John Bell returned one saucepan and one hot-water plate sold to him on 2nd Jan. ; and settled his account, as on 1st Jan., less 2½ per cent. discount.
,, 5.	Sold to F. Green three electrically-heated water cans at £2 10s. each, six flat irons at 19/6 each, and one glue pot £1 7s. 6d.
,, ,,	Bought from A. Brown & Co., Ltd., five electrically-heated Russian coffee machines at £1 17s. 6d. each, six egg boilers at £1 15s. each, three sterilizers at £1 12s. 6d. each, and one convector at £7 15s.

Jan.	6.	Bought, for cash, two office stools at £1 10s. each.
,,	7.	Drew cheque, for Petty Cash and Wages, £10.
,,	,,	Paid, in cash, wages £14 2s. 6d. and salaries £3.
,,	,,	Paid, in cash, office expenses 14/10.
,,	9.	Bill payable for £60 (due this day) was duly honoured, on John Smith's behalf, by the Bank.
,,	,,	Sundry Cash Sales for week ended 7th Jan., amounting to £27 2s. 9d., paid into the Bank.
,,	10.	Bought, for £3, a carpet for the private office.
,,	,,	Returned to A. Brown & Co., Ltd., two egg boilers and one sterilizer, bought from them on 5th Jan.
,,	11.	Received from Black & Co. the balance of their account, discount at 2½ per cent. being allowed on the whole amount due from them on 1st Jan.
,,	12.	Returned carpet, purchased on Jan. 10, in exchange for a larger one, value £4, the difference being paid for in cash.
,,	13.	Paid cash for repairs to office desk, 7/6.
,,	14.	Drew cheque for Petty Cash £15, and paid wages and salaries as on 7th Jan.
,,	,,	Paid, in cash, office expenses, £2 7s. 2d.
,,	,,	Paid into the Bank cash sales for the week, amounting to £41 15s. 6d.
,,	,,	Paid A. Brown & Co., Ltd., £12 on a/c.

All moneys received were at once paid into the Bank; and (unless stated otherwise) all payments were made by cheque.

Balance the Ledger Accounts as on 14th January, 1906; bring down the balances and extract a Trial Balance.

Note.—No Profit and Loss Account or Balance Sheet is to be prepared.

Exercise XXX.

Messrs. Samuel Smith and Robert Brown are partners in a manufacturing business. After providing 5 per cent. per annum interest upon their respective Capital Accounts, Profits or Losses are to be shared equally.

Before closing the annual accounts on 31st December, 1905, the following adjustments have to be made:—

1. Plant and Machinery Account is to be depreciated by 10 per cent.
2. Furniture and Fittings Account is to be depreciated by 5 per cent.
3. Provision is to be made for Bad and Doubtful Debts at 5 per cent.

4. Only three quarters' rent have been paid; the quarter's rent due on 25th December, 1905, not having been paid or passed through the books. Stock, taken as on 31st December, 1905, was valued and agreed, as between the partners, at £800.

The Trial Balance, extracted from the books as on 31st December, 1905, is set out below. After making the necessary adjustments, prepare a Trading Account, and a Profit and Loss Account, for the year ended 31st December, 1905, and a Balance Sheet as on that date. Show the Partners' Accounts in detail in the Balance Sheet.

TRIAL BALANCE.

(*Which is not to be copied.*)

31st December, 1905.

S. Smith, Capital Account (1st Jan., 1905)				2000	0	0
R. Brown ,, ,,				1500	0	0
S. Smith, Drawings Account (including interest)	450	0	0			
R. Brown, Drawings Account (including interest)	400	0	0			
Stock Account (1st Jan., 1905)	750	0	0			
Furniture and Fittings Account	300	0	0			
Plant and Machinery ,,	500	0	0			
Goodwill Account	1000	0	0			
Purchases ,,	2300	0	0			
Sales ,,				5400	0	0
Manufacturing Wages Account	520	0	0			
Carriage Account	100	0	0			
Salaries ,,	350	0	0			
Rent ,,	120	0	0			
Rates and Taxes Account	20	0	0			
Gas and Water ,,	30	0	0			
General Expenses ,,	270	0	0			
Sales Returns ,,	150	0	0			
Purchases Returns ,,				200	0	0
Bad Debts ,,	80	0	0			
Rent to date for premises sublet Account				20	0	0
Reserve for Bad and Doubtful Debts Account				150	0	0
Discount Account				10	0	0
Cash at Bank	500	0	0			
Cash in hand	20	0	0			
Sundry Debtors	2140	0	0			
Sundry Creditors				720	0	0
	10000	0	0	10000	0	0

Exercise XXXI.

Royal Society of Arts Examinations, 1907.

Intermediate.

Part I.

W. Brown, a wine and spirit merchant, had on 31st December, 1905, the following assets :—

Cash at Bank	£500	0	0
Cash in hand	50	0	0
Port Wine, 5 pipes at £60	300	0	0
Sherry, 5 butts at £50..	250	0	0
Owing by H. Johnson..	50	0	0
Bills Receivable (J. Smith due 12th Jan., 1906)	250	0	0
Office Furniture	100	0	0
	£1500	0	0

His liabilities on the same date were :—

Due to A. Robinson	£90	0	0
„ W. Walters	60	0	0
Bills Payable (A. Robinson due 6th Jan., 1906)	50	0	0
	£200	0	0

On 1st January, 1906, a company was formed, with a capital of £2,500, in £1 shares, to purchase W. Brown's business ; and it was agreed that the purchase price should be an amount equal to his capital in the business on 31st Dec., 1905, to be paid as to £500 in cash and the balance in fully paid shares, the company taking over all the assets and liabilities of the business. The remaining shares were issued to the public and were duly subscribed, allotted, and paid up.

You are required to make the necessary entries recording the above, and to pass through the proper books the following transactions :—

1906.		
Jan.	2.	Drew Cheque for Petty Cash, £30. Sold to H. Johnson 10 doz. of Sherry at 25s. a doz. and 1 pipe of Port at £70. Bought of W. Glass 30 doz. quart bottles at 2s. a doz. and 15 doz. pints at 1s. 6d. a doz.

Jan.	3.	Paid cash for Dock charges £2 15s.
		Bought from J. Lewis 10 hogsheads of Brandy at £40, giving him a bill at 2 months, he allowing 2½ % discount.
		Paid Wages and Office Salaries, drawing and cashing cheque for same, £4.
,,	4.	Received from H. Johnson, on %, £50.
,,	5.	Paid Preliminary Expenses in connection with the formation of the Company, including legal charges, £100.
,,	6.	Bought of A. Robinson 2 pipes of Port at £55 and 6 10-gallon casks of Whisky at £8 a cask.
		Bill Payable (A. Robinson), paid by Bank, £50.
,,	7.	Paid W. Walters account, less 2½ % discount.
,,	8.	Paid Cash for Repairs to cellar door, £10 9s. 8d.
,,	9.	Drew Cheque for Petty Cash, £5.
,,	10.	Paid Wages and Office Salaries, drawing and cashing Cheque for same £6.
		Received Cheque from H. Johnson in settlement of his account, less 5 % discount on the whole of his purchases from Jan. 1st.
		Paid J. Smith's Bill for £250 to the Bank.
,,	12.	Bill Receivable given by J. Smith for £250 returned dishonoured.
,,	14.	Sold to T. Kino 3 doz. Whisky at 39s., 2 doz. port at 44s., 5 doz. Sherry at 25s., and 3 doz. Brandy at 60s.

All moneys received were at once paid into the Bank, and (unless stated otherwise) all payments were made by cheque.

Balance the Ledger Accounts as on 15th Jan., 1906; bring down the balances and extract a Trial Balance.

NOTE.—No Profit and Loss Account or Balance Sheet is to be prepared.

EXERCISE XXXII.

PART II.

Messrs. George Elliott and Philip Barker are partners in a manufacturing business. After providing 5 % per annum interest upon their respective Capital Accounts, Profits and Losses are to be shared in the proportion of George Elliott ¾ths and Philip Barker ¼th.

Before closing the books as on 31st Dec., 1906, the following further adjustments have to be made :—

1. Plant and Machinery Account is to be depreciated by 10 %.
2. Furniture and Fittings Account is to be depreciated by 5 %.
3. Provision is to be made for Bad and Doubtful Debts at 5 %.

4. One quarter's rent to be reserved for, only 3 quarters having been paid during the year.
5. £25 owing for Trade Expenses has not been passed through the books.
6. Stock, taken as on 31st Dec., 1906, was valued and agreed as between the partners, at £1,250, the stock having been taken at cost with suitable deductions for old stock.

From the following Trial Balance of the Ledger Accounts, after making the necessary adjustments, prepare a Trading Account and a Profit and Loss Account for the year ended 31st Dec., 1906, and a Balance Sheet as on that date. Show the Partners' Accounts in detail in the Balance Sheet.

TRIAL BALANCE.

(*Which is not to be copied.*)

31ST DECEMBER, 1906.

George Elliott, Capital (1st Jan., 1906) ..					3000	0	0
Philip Barker, „ „ ..					1000	0	0
George Elliott, Drawings (including interest)	317	0	0				
Philip Barker, „ „	133	0	0				
Furniture and Fittings	550	0	0				
Plant and Machinery	750	0	0				
Stock (1st Jan., 1906)	950	0	0				
Office Expenses	250	0	0				
Trade „	150	0	0				
Wages (manufacturing)	900	0	0				
Salaries	425	0	0				
Carriage	125	0	0				
Purchases	1680	0	0				
„ Returns					150	0	0
Sales					3390	0	0
„ Returns	125	0	0				
Bad Debts	80	0	0				
Rent	120	0	0				
Rates, Taxes	40	0	0				
Gas and Water	25	0	0				
Interest and Discount					35	0	0
Reserve for Bad and Doubtful Debts (1st Jan., 1906)					45	0	0
Sundry Debtors	1250	0	0				
Sundry Creditors					680	0	0
Cash at Bank	300	0	0				
Cash in hand	130	0	0				
	8300	0	0		8300	0	0

Exercise XXXIII.

The London Chamber of Commerce (Incorporated).

Examination for Junior Commercial Certificates, 1905.

1. Enter the following transactions in the proper books of account and post the same to the Ledger. Make out a Trial Balance, Trading Account, Profit and Loss Account and Balance Sheet at 31st January, 1905.

On 1st January, 1905, the Balances in my Books were as follows :—

Capital Account	£3798	0	0
Office Fixtures and Fittings	100	0	0
Plant and Machinery	1000	0	0
Bills Payable—F. Size, due 18th Jan., 1905	335	0	0
C. Mee, due 12th Feb., 1905	233	0	0
Fire Insurance paid in advance (renewable on Lady Day, 1905)	12	0	0
Rent Account, Christmas Quarter outstanding	120	0	0
J. Right, Dr.	50	0	0
G. Carne, Dr.	140	0	0
E. Ladd, Dr.	302	0	0
Geo. Smith & Co., Cr.	900	0	0
E. Lee & Son, Cr.	220	0	0
E. Lamb, Cr.	232	0	0
Bills Receivable—J. Right, due 25th January, 1905	102	0	0
G. Carne, due 17th March, 1905	170	0	0
Trade Expenses Account—Sundry Amounts Owing	33	0	0
Cash at Bank	1700	0	0
Cash at Office	45	0	0
Stock Account	2250	0	0

My transactions during the month of January were :—

Jan. 2.	Sold E. Ladd 16 Lenses complete at £13 each	208	0	0
,, 4.	Paid by cheque Telephone Rent (Charge Trade Expenses Account)	17	0	0
,, 7.	Drew Cheque for Cash	60	0	0
,, 7.	Paid Factory Wages	52	0	0

EXERCISE XXXIII.—(*continued*).

Jan.	9.	Drew on E. Ladd at 3 months from this date..	510	0	0
,,	11.	Sold G. Carne—			
		26 Lenses complete at £12 10s. each ..	325	0	0
		Sundry Accessories	5	0	0
,,	12.	Received E. Ladd's Acceptance	510	0	0
,,	13.	Purchased of Geo. Smith & Co., Raw Material as per Invoice	315	0	0
,,	14.	Drew Cheque for Cash	80	0	0
,,	,,	Paid Factory Wages	65	0	0
,,	,,	Received of G. Carne, cheque £133, allowed him discount £7 and drew on him at 3 months from this date for balance of his Account.			
,,	,,	Paid to Bankers..	133	0	0
,,	,,	Paid by Cheque, Rent of Private House ..	25	0	0
,,	,,	,, Rent of Business Premises..	120	0	0
,,	16.	Returned to E. Lamb, Raw Material not up to sample	32	0	0
,,	17.	Paid by Cheque, Geo. Smith & Co... ..	700	0	0
,,	,,	Received G. Carne's Acceptance			
,,	18.	My Acceptance due this day duly met at Banker's.			
,,	20.	Accepted Geo. Smith & Co.'s Draft at 3 months dated 18th January	515	0	0
,,	,,	Discounted with Banker's Bills Receivable ..	1010	0	0
,,	,,	Bankers charged for Discount	10	0	0
,,	,,	Received of J. Right, Cash on Account ..	20	0	0
,,	,,	Received Credit Note from E. Lamb ..	32	0	0
,,	21.	Paid to Bankers..	20	0	0
,,	,,	Drew Cheque for Cash	90	0	0
,,	,,	Paid Factory Wages	65	0	0
,,	,,	Paid E. Lamb Balance of Account, less 2½ per cent.			
,,	23.	J. Right's Acceptance sent to Bankers for Collection.			
,,	25.	J. Right's Acceptance due this day, dishonoured.			
,,	28.	Drew Cheque for Cash	75	0	0
,,	,,	Paid Factory Wages	63	0	0
,,	31.	Drew Cheque for Private Account	50	0	0
,,	,,	Paid by Cash—			
		Sundry Trade Expenses for the month ..	40	0	0
		Salaries	40	0	0
		Cash Purchases	20	0	0
		Paid by Cheques—			
		Stationery Account	15	0	0
		Repairs (Trade Expenses Account) ..	7	0	0

EXERCISE XXXIII.—(*continued*).

Jan. 31.	Attended Meeting of Creditors of J. Right, when I agreed to accept 5s. in the £ in discharge of my claim.			
,, ,,	Stock on hand this day—			
	Raw Material..	700	0	0
	Goods in Process of Manufacture ..	550	0	0
	Manufactured Goods	1200	0	0
,, ,,	Sundry Accounts owing on Trade Expenses ..	20	0	0
,, ,,	Allow for Depreciation of Plant and Machinery at the rate of 12 per cent. per annum.			
	No Interest to be calculated on Capital or Current Accounts.			

2. A draft for £200 at three months was received by the drawer on the date of its acceptance, 20th March, 1905, and discounted by him on the same day with his Bankers. The Bankers charged for discounting 1 per cent. over Bank Rate.

(*a*) Describe the procedure necessary to record these entries in the books of the drawer.

(*b*) What was the net amount received from the Bankers assuming that the Bank Rate was 4 %?

3. What books would you expect to find in use in the business of a wholesale grocer? What entries are made in each book, and how are they dealt with at the closing period?

4. Explain the terms: *Bankruptcy, Composition, Rebate, Account Sales.*

5. A.B. started on January 1st with Stock-in-Trade, £2,000. He makes an annual gross profit of 33⅓ per cent. His purchases and cost of manufacture for the year to 31st December were £10,000, and his sales during the year were £13,500. What was the approximate value of his Stock-in-Trade on 31st December?

Exercise XXXIV.

The London Chamber of Commerce (Incorporated).

Examination for Junior Commercial Certificates, 1906.

1. On 1st January, N. Torr's Balances were as follows :—

Capital Account	£2880	0	0
B. Saw, Cr.	280	0	0
A. Can, Dr.	125	0	0
Bills Receivable, due 5th April	300	0	0
C. Kale, Cr.	150	0	0
Bill Payable, due 10th January	430	0	0
Stock on hand	1550	0	0
Furniture and Fixtures	200	0	0
Cash at Bankers	1515	1	8
Cash in hand	49	18	4

Open the necessary Ledger Accounts.

2. N. Torr's Transactions other than cash during January were :—

Jan. 5.	Sold A. Can, Leather	350	0	0
,, 12.	Purchased of B. Saw, Leather ..	330	0	0
,, 12.	Purchased of C. Kale, Leather ..	170	0	0
,, 17.	Accepted B. Saw's Draft at 3 months from 16th January ..	330	0	0
,, 22.	Sold A. Can, Leather	320	0	0
,, 29.	A. Can accepted my Drafts as under—			
	27th January at 2 months ..	370	0	0
	,, at 3 ,, ..	300	0	0

Enter the above transactions in the proper books of account and post to the ledger.

N. Torr's Cash Transactions during January were :—

Jan. 1.	Cash in hand, £49 18s. 4d.	*See balances question* 1.		
,, ,,	,, at Bankers, £1,515 1s. 8d.			
,, ,,	A. Can paid his Account less 5 per cent. Discount.			
,, ,,	Paid to Bankers	118	15	0
,, 4.	Paid B. Saw by Cheque for his Account less 2½ per cent.			

EXERCISE XXXIV.—(*continued*).

Jan. 6.	Paid Wages	29	0	0
,, 8.	Bill discounted at Bankers ..	300	0	0
,, ,,	Bankers charged for Discount ..	3	10	0
,, ,,	Paid Insurance Premium ..	3	0	0
,, 10.	Bill payable duly met at Bankers.			
,, 13.	Drew Cheque for £50 for cash to meet Wages, etc.			
,, ,,	Paid Wages	32	0	0
,, 18.	Received Cash, Sale of Leather..	180	0	0
,, ,,	Paid to Bankers	180	0	0
,, ,,	Paid Wages	28	0	0
,, 23.	Paid C. Kale by Cheque his Total Account less 5 per cent.			
,, 27.	Drew Cheque £50 for Cash to meet Wages, etc.			
,, ,,	Paid Wages	33	0	0
,, 31.	Paid Salaries £60 by Cheque ..			
,, ,,	N. Torr drew Cheque for private use	60	0	0
,, ,,	Paid in Cash, sundry Trade Expenses	22	18	4

Prepare a three column Cash Book, enter and post the above transactions, rule off the Cash Book and bring down the balances.

3. Prepare for N. Torr as at January 31st :—

(*a*) Trial Balance.
(*b*) Trading Account.
(*c*) Profit and Loss Account.
(*d*) Balance Sheet.

Stock on hand 31st January, £1,577.
The proportion of rent accrued was £20. Charge against Profit and Loss Account, one month's interest on Capital at 5 per cent. per annum and one month's proportion of Insurance.

4. At what rate of gross profit did N. Torr trade ?

5. What do you understand by the term Account Sales ? Give an example.

6. What is an Account Current ?

Exercise XXXV.

London Chamber of Commerce Junior Examination, 1907.

1. Show in the books of John Seal, who commenced business on 1st January, the entries necessary to record the following transactions :—

Jan. 1	Paid to Barclay's Bank for my business capital the sum of	2000	0	0
	Purchased typewriter and paid for same by cheque	18	0	0
	Drew cheque for petty cash expenditure ..	300	0	0
,, 2	Purchased from J. Adams 500 tons of material and waste at £3 5s. 0d. per ton.			
,, 3	Purchased of Eve & Son old rope for ..	600	0	0
,, 4	Accepted J. Adams' draft at three months from this date	1625	0	0
,, 8	Sold to Gane & Co. 120 tons Sorted Material at £4 per ton.			
,, 10	Sold to Gane & Co. 200 tons Sorted Material at £4 10s. per ton delivered.			
,, 12	Paid by cheque freight and charges on goods sold to Gane & Co.	25	0	0
,, 13	Drew cheque for self	50	0	0
	Drew Cheque for Petty Cash Expenditure ..	200	0	0
,, 15	Purchased of E. Hall 1,000 tons of Material at £3 7s. 6d. per ton.			
,, 23	Sold to Emil et Cie., of Dieppe, 600 tons of Sorted Material at £5 per ton delivered.			
,, 27	Drew cheque for Petty Cash Expenditure ..	750	0	0
,, 31	Returned to E. Hall 100 tons of Goods not up to sample.			
Feb. 5	Paid by Cheque Wharfage Dues	25	0	0
	,, Railway Charges	85	0	0
,, 8	Received from Emil et Cie. sight draft on Montague & Co. fcs. 75,750 in settlement of account.			
,, 9	Emil et Cie.'s draft realised	2985	0	0
,, 10	Drew Cheque for self	150	0	0
	,, Petty Cash Expenditure ..	350	0	0
,, 12	Purchased of Eve & Son old rope and Material for	500	0	0
,, 14	Sold to Gane & Co. 400 tons Sorted Material at £4 5s. 0d. per ton.			
,, 15	Gane & Co. paid by Cheque for Goods supplied on 10th January, less 2½ per cent. Discount.			
,, 20	Drew on Gane & Co. at three months from this date	1700	0	0
,, 21	Discounted at Bankers, Gane & Co.'s acceptance. Bankers charged for Discount £25 10s.			

EXERCISE XXXV.—(*continued*).

Feb. 22	Sold to Gane & Co. 400 tons of Sorted Material at £4 7s. 6d. per ton delivered			
„ 24	Drew Cheque for Petty Cash Expenditure ..	700	0	0
„ 28	Paid by Cheque Stationer's Account ..	50	0	0
	„ Strand & Co.'s account for Fittings and Furniture	300	0	0
	Paid by Cheque to Eve & Son on account ..	700	0	0
	„ to E. Hall in settlement of his account, less 5 per cent. Discount.			

Analysis of Petty Cash payments for two months :—

Wages of Salesmen, Sorters, Packers, etc. ..	740	0	0
Small dealer's accounts	1105	0	0
Clerks' Salaries	200	0	0
Manager's Salary	80	0	0
Sundry trade expenses, Postages, Travelling, etc.	120	0	0

John Seal owes at this date for accounts not rendered :—

Freight and Carriage Accounts	140	0	0
Proportion of Rent for two months	200	0	0
Telephone Rent	20	0	0

Value of Stock on 28th Feb., £1,800.
„ Furniture and Fittings, £310.
No interest to be calculated on Capital or Drawings.

Prepare Trading Account and Profit and Loss Account for the period to 28th Feb. and Balance Sheet as on that date.

2. John Seal proposes at the end of two years to take a partner. What information would the incoming partner require ? What step would John Seal take to supply the information ?

3. Define the following terms :—

Assets.
Balance Sheet.
Book-keeping.
C. I. F.

4. What do you consider to be the best system of keeping a record of Petty Cash ?

Exercise XXXVI.

Midland Counties Union of Educational Institutions, 1905.

Elementary.

Part I.

Messrs. A. Morris and J. Griffiths commenced business as Poultry, Feather, etc., Dealers on 1st July, 1904, A. Morris putting £350 and J. Griffiths £250 into the business, which sum was paid into the bank; they agreed to pay A. Morris £25 a year (including taxes) for an office in his house.

July 1.	Bought Fowls, etc., from W. Davies	57	18	9
,, 5.	Bought Food, J. Williams	7	17	7
,, 9.	Sold Fowls, J. Jones	17	16	6
,, 11.	Sold County Feather Co., Feathers	3	14	4
,, 11.	Sold Muircock & Co., Eggs	5	3	6
,, 12.	Paid W. Davies by Cheque, he allowing Discount, £1 7s. 9d.	26	11	0
,, 16.	Paid Wages by Cheque	3	8	0
,, ,,	Paid sundry expenses by Cheque		19	6
,, 18.	Bought Geese and Turkeys from W. Wynne ..	33	16	8
,, ,,	Sold Eggs to Hunter & Co.	8	17	6
,, 20.	Sold Boston Feather Co., Feathers	3	18	7
,, 23.	Paid Wages by Cheque	1	14	0
,, ,,	Paid sundry expenses by Cheque		7	9
,, 25.	Sold J. Jenkins, Geese	16	1	8
,, ,,	Paid J. Williams Cheque, 7s. 7d. Discount ..	7	10	0
,, ,,	Paid W. Wynne Cheque, Discount £3 6s. 8d. ..	30	10	0
,, 27.	Received Cash from J. Jones, Discount 8s. 6d. ..	17	8	0
,, ,,	Bought, W. Roberts, Turkeys	18	3	6
,, 30.	Paid Wages by Cheque	1	17	0
,, ,,	Paid sundry expenses in Cash		8	6
	Stocks on Hand :—			
	Fowls	44	17	0
	Geese and Turkeys	42	13	0
	Food	1	13	4

Enter in proper books, prepare Trial Balance, afterwards draw out Profit and Loss Account and Balance Sheet, giving A. Morris 7–12 and J. Griffiths 5–12.

Part II.

Five questions only are to be attempted. You are requested to give your answers briefly.

1. Make out an invoice for 372 Eggs at 9d. per dozen, from John Williams to Robert Turner.
2. What is the effect of crossing a cheque ?
3. If a man pays a composition of 5/3 in the £, what would a creditor for £306 lose ?
4. Give the meaning of the following abbreviations, viz. : C.O.D., F.O.R., %, a/c.
5. Journalise the following : W. Davies bought from J. Thomas 137 doz. eggs at 9d. a doz., and returned 23⅓ dozen.
6. What is the retail trader's capital ?
7. Rule form of Day Book suitable for a business with three departments, and make four specimen entries.

Advanced.

Exercise XXXVII.

Part I.

Wm. Smith and Joseph Thompson trade in partnership as Metal Merchants under the style of Smith, Thompson & Co., William Smith's capital being £15,000, and Joseph Thompson's £12,000.

The Ledger shows the following Balances :—

Office Furniture and Fittings	473	8	2			
Rent	200	0	0			
Sales of Copper				37445	7	1
,, Tin				9476	3	8
,, Iron				87753	11	6
,, Pig				76942	8	0
Discounting Bills	829	7	3			
Bills Receivable	9814	15	0			
Discounts Allowed less Discounts Received	4423	9	11			
Cash in Hand	23	2	11			
Sundry Debtors	7618	4	10			
Sundry Creditors				6028	7	10

Salaries of Office Staff	316	4	0			
Warehouse Wages	226	0	0			
Bank Interest and Commission ..	332	12	4			
Purchases of Copper	40170	12	0			
,, Tin	8426	18	9			
,, Iron	86983	7	2			
,, Pig	75536	14	1			
Stocks on Hand at 1st Jan., 1904 :—						
Copper	12008	0	3			
Tin	875	11	4			
Iron	3026	14	0			
Office and Warehouse Expenses ..	574	19	9			
Carriage	1463	13	7			
Wm. Smith, Drawings	618	4	2			
Joseph Thompson, Drawings	429	8	6			
Midland Bank				2941	7	5
Bills Payable				6784	2	6
The Stocks on Hand at 31st December were :—						
Copper	22111	14	2			
Tin	617	18	10			
Iron	6513	4	1			

From the foregoing make out Profit and Loss Account and Balance Sheet, charging 5 % Interest on the Partners' Capital, and crediting Partners with £500 each, Salary.

Part II.

1. What is the meaning of the following terms :— "Special Crossing," C.I.F., R/D., "Discount" ?
2. What is the difference between a Trial Balance and a Balance Sheet, and what are the uses of each ?
3. In what book or books would you enter a bill returned dishonoured ?
4. What is the effect of adding the words "not negotiable" to a crossed cheque ?
5. In a business where Cash Book, Purchases Book, Day Book and Ledger are kept, what transactions would you enter in the Journal ?
6. How would you deal in books of account with minimum rent in excess of royalty ?
7. What ends are sought in Book-keeping ?

Exercise XXXVIII.

Midland Counties Union of Educational Institutions, 1906.

Elementary.

Part I.

On 1st January, 1906, the books of J. Walker showed the following balances :—

Dr. Cash at Bank, £885 6s. 6d. ; at Office, £27 15s. ; Tea, £360 ; Coffee, £195 10s. 6d. ; Sugar, £78 10s. ; W. Weaver, £87 12s. 6d. ; Office furniture and fittings, £75 ; J. McKenzie, £62 12s. Cr. S. Wilkins, £65 12s. ; E. Read, £46 10s. ; J. Cooper, £57 12s. ; Capital, £1,602 12s. 6d.

1906					
Jan. 3.	Sold W. Weaver, Tea	25	0	0
,, 4.	Purchased of S. Wilkins, Coffee	62	10	0
,, ,,	Received Cash from J. McKenzie on % ..	27	0	0
,, 6.	Sold to H. Jones, Sugar	55	0	0
,, 8.	Sold Tea for Cash	18	10	0
,, ,,	Paid into Bank	37	0	0
,, 11.	Bought Coffee from E. Read	76	5	0
,, 13.	Paid Cheque to E. Read, Discount £2 10s. ..	50	0	0
,, 14.	Bought from C. Cox, Tea	74	10	0
,, 16.	Paid S. Wilkins by Cheque	62	10	0
,, 19.	Received Cash, W. Weaver, Discount 12s. 6d. ..	24	7	6
,, ,,	,, J. McKenzie	35	12	0
,, 23.	Paid into Bank	60	0	0
,, 24.	Bought from G. Swan, Sugar	45	2	6
,, ,,	Sold H. Jones, Coffee	23	0	0
,, 26.	Received Cheque from H. Jones, Discount £1 16s. 6d.	76	3	6
,, 31.	Paid Wages by Cash	30	0	0
,, ,,	,, Rent ,, ...	15	0	0
,, ,,	,, Sundry Expenses by Cash	5	6	0

Stocks in hand : Tea, £398 6s. 8d. ; Coffee, £324 5s. 11d. ; Sugar, £60 5s. Enter the foregoing in the proper books and prepare a Trial Balance ; afterwards draw up a Profit and Loss Account and Balance Sheet.

Part II.

1. State what information you should be in a position to readily obtain if your books be properly kept.
2. What do you understand by the following :—T/B, B.S., Dr., Cr. ?

3. Explain the object of the Journal.
4. What is the meaning of the following when found on an invoice :—" 5 % in 30 days " ?
5. Make out an invoice for the following transaction :—G. Cox buys on the 15th December, 1905, from H. Smith, 1,296 yds. of shirting @ 4/11 per doz.
6. What do you understand by Bank Charges ?
7. What are the assets of a person or company ?

Intermediate.

Exercise XXXIX.

Part I.

Howard and Arthur Jones having inherited, in equal shares, the business of a Wine Merchant, took possession on the 1st December, 1904, and agreed to carry on the business for a month before deciding as to its continuance or otherwise.

On taking possession, they found the affairs to stand thus :

Assets : Cash, £88 11s. 9d. ; Bank, £1,650 14s. 3d. ; Business Premises, £2,000 ; Furniture and Fittings, £200 ; Horses, Carts, etc., £350 ; Stock of Port, £1,040 ; Sherry, £980 ; G. Black, £109 10s. ; J. Heath, £58 10s. ; H. Jackson, £142 11s. 7d. Liabilities : Wilkes & Co., £1,086 5s. ; Fletcher & Co., £723 1s. 5d. ; A. Beebee, £987 ; A. Hill, £23 ; Capital, £3,800 11s. 2d.

1904					
Dec.	1.	H. Jones withdrew from business by Cheque ..	98	0	0
,,	3.	Sold Port for Cash..	11	2	7
,,	5.	Invoiced G Black—Port, £32 8s. 6d. ; Sherry	25	3	9
,,	8.	Paid Cheque for Office Table	16	0	0
,,	13.	Received Cash and Notes from G. Black, Discount £5 9s.	106	9	0
,,	14.	Paid Wages in cash	5	0	0
,,	15.	Paid into Bank	150	0	0
,,	16.	Bought of Wilkes & Co., Port	128	10	0
,,	17.	Carriage on Port, paid by Wilkes & Co., and charged to Buyers	2	8	0
,,	19.	Paid them Cheque, Discount £10	188	0	0
,,	20.	Paid for painting premises, Cheque	23	10	0
,,	21.	Paid Cash for Gas..	3	10	0
,,	,,	Returned to Wilkes & Co., Port, not to order..	45	0	0

EXERCISE LXI.—(*continued*).

Dec. 24.	Sold J. Heath, Sherry, £82 10s., Port.. ..		68	12	0
,, 27.	Bought of Fletcher & Co., Sherry		155	12	0
,, ,,	Remitted Cheque to them on account ..		550	0	0
,, 28.	Paid Cash for Fire Insurance Premium ..		4	2	6
,, ,,	J. Heath returned Sherry, damaged.. ..		24	6	8
,, 29.	Paid Cash for Corn and Fodder		7	7	6
	Paid Railway Carriage Account by Cheque ..		10	10	0
	Charge Depreciation on Premises		20	0	0
	,, ,, Furniture		5	5	0
	,, ,, Horses, etc... ..		15	0	0
	Stock value of Port, £1,035 ; Sherry, £1,070.				

Enter the above in the proper books and prepare a Trial Balance, afterwards draw up a Profit and Loss Account and Balance Sheet. Divide profits or losses equally.

PART II.

1. State briefly what is meant by the following terms, as used in relation to Cheques: "dishonoured," "not negotiable," "post-dated."
2. What is a Balance Sheet ?
3. Enumerate the transactions that in practical work are usually recorded in the Journal.
4. Give all the meanings you know of the word "Premium."
5. Explain what is meant by "Freight," "Salvage," "Lloyd's."
6. What would be the effect of crossing the words "or order" off a cheque ?
7. Mention the advantages a business man derives from having a Banking Account.

Advanced.

EXERCISE XL.

PART I.—COMPULSORY.

From the following Trial Balance, prepare Trading A/c, Profit and Loss A/c, and Balance Sheet of Messrs. H. Oakley and W. Denham, Harness Manufacturers, as on 31st December, 1905, sharing profits and losses equally. Before dividing the profits, allow Interest on Partners' Capital at 5 per cent.

per annum; depreciate Machinery and Plant 7½ per cent., and Fixtures and Fittings 6 per cent.; provide for Bad and Doubtful Debts 5 per cent., and for a half year's interest on the Mortgage at 5 per cent. per annum to 31st December, 1905; carry 7½ per cent. of the net profit (if any) to the Reserve Fund. Stock 31st December, 1905, £14,725 2s. 6d.

H. Oakley, Capital Account (1st Jan., 1905)				10000	0	0
W. Denham, Capital Account (1st Jan., 1905)				9000	0	0
Freehold Premises	13100	0	0			
Bills Payable Account				2402	8	2
Fixtures and Fittings Account	3600	0	0			
Wages Account	7930	1	4			
Mortgages on Premises Account				4500	0	0
Sundry Creditors				13802	18	4
Reserve Fund (for contingencies)				1050	0	0
Sales Account				45230	2	10
Machinery and Plant Account	6000	0	0			
Cash Account	472	14	7			
Purchases Account	31038	10	7			
Salaries Account	550	0	0			
Stock Account (1st Jan., 1905)	10910	5	5			
Rates and Taxes Account	251	9	11			
Banker's Account				2437	0	0
Office Expenses Account	104	5	3			
Carriage Account	1066	2	9			
Insurance Account	191	11	4			
Interests and Discounts Account				43	12	1
Sundry Debtors	8510	0	0			
Interest on Mortgage Account	112	10	0			
General Trade Expenses Account	1040	17	2			
Repairs Account	337	13	1			
H. Oakley's Drawing a/c (including interest)	1767	10	0			
W. Denham's Drawing a/c (including interest)	1482	10	0			
	88466	1	5	88466	1	5

PART II.

1. What is the object of Cost Accounts? State two essentially different classes of such accounts.
2. What do you understand by the following:—B/E, B/P, P/N, N/P, B/R, Days of Grace?
3. State the advantages that are derived by the Drawer and Acceptor of a Bill.

Exercise XLI.

Union of Lancashire and Cheshire Institutes, 1905.

Preliminary Grade.

Part I.

1. Make out a cheque drawn by Roberts & Co., upon the Northern Banking Co., Limited, Manchester branch, in favour of Hugh Evans, for £167 11s. 9d.

2. Describe a simple form of stock book, and say from what source you would enter.

3. How would you keep an account of receipts from and payments into Bank ?

4. What is a Balance Sheet ?

5. What do you understand by the following :—I.O.U., B/L., F.O.B., Insurance ?

6. John Howe, Albert Cole, and Andrew Barker were in partnership as Wholesale Fruiterers, &c., John Howe putting £360 in the business, Albert Cole £240, and Andrew Barker £120, which was paid into the bank.

Their transactions were :—

Aug.	2.	Bought from Willingham & Co., Ltd., Fruit	126	17	4
,,	3.	Bought from John Upwell, Potatoes	59	16	0
,,	6.	Sold and received Cash for Fruit	132	14	0
,,	,,	Sold and received Cash for Potatoes	65	4	0
,,	,,	Paid Carriage in Cash	1	2	7
,,	,,	Paid Wages, etc., in Cash	3	17	6
,,	8.	Paid Bank	180	0	0
,,	,,	Bought, J. Allen & Co., Asparagus	32	6	8
,,	10.	Paid J. Allen, receiving Discount £1 12s. 8d. ..	30	14	0
,,	11.	Bought, J. Coe, Tomatoes	38	16	0
,,	12.	Sold W. Almond, Asparagus	22	6	0
,,	,,	Sold W. Skimp, Tomatoes	43	7	0
,,	,,	Sold J. Turner, Asparagus	14	6	8
,,	20.	Paid Carriage two weeks by Cheque	1	19	7
,,	,,	Paid Wages, etc., two weeks by Cheque ..	7	15	0
,,	,,	Paid Willingham & Co., Ltd., by Cheque, Discount £6 1s. 4d.	120	16	0
,,	,,	Paid J. Upwell, by Cheque, Discount £2 ..	57	16	0
,,	27.	Paid Wages, etc., by Cheque	4	2	3
,,	,,	Paid Carriage by Cheque		16	8
,,	31.	Paid Rent and Taxes for Month by Cheque ..	5	0	0

Enter in proper books and post to Ledger, debiting and crediting appropriate accounts, and prepare Trial Balance.

From the foregoing, make out Profit and Loss Account and Balance Sheet, dividing the Profits or Losses according to the capital invested.

Intermediate Grade.

Exercise XLII.

You may attempt not more than four of the questions in Part I., and afterwards attempt the Statements of Account in Parts II. and III. of this grade.

Part I.

7. What is the meaning of "Negotiable by Endorsement," and what instruments are so negotiable?

8. What is Discount?

9. What is the meaning of the following:—Per pro.; Exchange; Letter of Credit?

10. What is a Joint Stock Company, and in what does it differ from a partnership?

11. What is a Bill of Lading?

12. What do you understand by the following:—Salvage; Underwriter?

Part II.

13. Henry Wilson and Richard Ashworth decide to trade in partnership as Merchants. Henry Wilson agrees to bring in £500 cash, and Richard Ashworth £350 cash and £100 worth of stock in trade.

In the month of December, 1904, their transactions were as follows:—

Dec.	1.	Take a warehouse and office from Charles Dean, at a rent of £48 per annum, and agree with Thomas Ward for alterations to cost £8 10s.			
,,	2.	Buy Office Furniture costing £32 11s. 6d. from The Office Furnishing Company.			
,,	,,	Buy Stationery costing £7 4s. 2d. from William Seed.			
,,	5.	Buy Stock from B. Goodfellow	74	1	11
		The Partners pay their arranged amounts into Bank.			

EXERCISE XLII.—(*continued*).

Dec.	6.	Sell to Edward Claypole, Goods	17	6	2
,,	,,	Sell to George Okell, Goods £3 8s. for Cash, allowing him 3s. 6d. Discount ..			
,,	7.	Buy Goods from Ernest Platt & Co., Ltd. ..	476	11	0
,,	9.	Ernest Platt & Co., Ltd., draw for the Goods at 3 m/d, and Wilson & Ashworth accept.			
,,	10.	Draw Cheque for £10, and pay Wages £6 10s. 0d.			
,,	12.	Sell to Robertson & Co., Goods	274	11	0
,,	13.	Return to B. Goodfellow, defective Goods ..	7	8	1
,,	14.	Pay Thomas Ward, Cheque	8	10	0
,,	15.	Buy from B. Goodfellow, Goods for Stock ..	35	7	8
,,	17.	Draw Cheque for £10, and pay Wages £6 15s. 6d.			
,,	19.	Pay L. & N. W. Ry. Co., Carriage on Goods ..	14	1	6
,,	21.	Sell W. Robertson & Co., Goods	18	11	4
,,	22.	Receive from Edward Claypole, Cheque in settlement	16	8	10
,,	23.	Sell to D. Tomlinson, Goods	96	4	11
,,	28.	Draw on D. Tomlinson, at 2 m/d, for amount of Invoice.			
,,	31.	Pay Petty Cash Sundries for Month	13	4	10
		The Stock on hand at the end of December amounted to	403	19	4

Henry Wilson has £200 per annum and Richard Ashworth £150 per annum salary; each partner is also entitled to £5 % interest on his capital, and profits are divided in equal shares.

Enter the items in the appropriate books, post to Ledger, and take out Trial Balance.

PART III.

From the foregoing, make out Profit and Loss Account and Balance Sheet.

EXERCISE XLIII.

Union of Lancashire and Cheshire Institutes, 1906.

Elementary Grade.

PART I.

1. What is an Income and Expenditure Account ?
2. What are the meanings of the following ?—
   Refer to Drawer. Not negotiable.
3. What is a Dividend ?

4. Make out an Invoice for 25 tons of Spelter @ £25 per ton, sent by Frederick Hartzmann, to the British Tinplate Co., Ltd. Shipped from Hamburg, per SS. "Flamingo" and F.O.R. Newport.

5. Rule and head a Day Book with impersonal columns.

Part II.

6. John Cunningham acquired a Restaurant business on 1st Jan., 1906. He paid into the Bank £600.

His transactions were as follows:—

Jan.	1.	Bought Furniture and Fittings by Cheque for	352	10	0
,,	6.	Takings during week	94	11	2
,,	8.	Paid into Bank	60	0	0
,,	13.	Takings during week	99	10	4
,,	15.	Paid into Bank	40	0	0
		Received Bills as under:—			
		J. Brown & Co., Meat	59	16	2
		W. Thomas, Fish, Game, etc.	18	17	3
		R. Green, Bread, etc.	7	9	4
		H. Gowe, Ltd., Vegetables, etc.	6	18	3
		R. Joker, Minerals, etc...	16	17	4
,,	20.	Takings during week	100	15	8
,,	24.	Provisions, etc., paid for in cash during three weeks	140	18	2
		Paid following accounts by cheque:—			
		J. Brown & Co. (receiving Discount, £2 19s. 2d.)	56	17	0
		H. Gowe, Ltd. (receiving Discount, 8s. 3d.)..	6	10	0
		W. Thomas (receiving Discount, 18s. 3d.) ..	17	19	0
		B. Green (receiving Discount, 9s. 4d.) ..	7	0	0
,,	27.	Paid Rent in Cash	10	0	0
		Wages and sundry expenses, three weeks ..	18	18	11

On 21st January a fire occurred, destroying furniture and fittings, and stock.

Enter in proper books and post to Ledgers, debiting and crediting appropriate accounts, and prepare Trial Balance.

Part III.

From the foregoing, make out Profit and Loss Account and Balance Sheet, writing off Furniture and Fittings.

Exercise XLIV.

Intermediate Grade.

Part I.

1. Cotton is sent direct, by order of a Manchester firm, to their Roumanian Mills, from New Orleans. It is invoiced to Manchester. What entries are necessary in the Manchester books ?

2. What is a Depreciation Account ?

3. State the difference between Consignor and Consignee.

4. For what entries would you use a Journal ?

5. What is a Columnar Cash Book ? Give ruling of one for any business you may know.

6. On 16th January a cheque is received post-dated 27th January. Make a specimen entry (Cash Book or Journal), dealing with this.

On 1st January, 1906, C. H. Hartington was in business as a Watch Manufacturer.

His position was as follows :—

Stock of Materials and completed work	£3000	19	10
Balance in Bank	716	1	8
Petty Cash deposit in Clerk's hands..	20	0	0
Cash in hand	164	2	10
Advances to men..	18	16	0
Machinery and Tools	5165	17	2
Rent owing	62	10	0
Trade Debtors :—			
Daly & Co.	617	8	2
E. V. Williams & Co.	1204	1	3
G. O. Smith & Co.	868	4	2
Trade Creditors :			
E. G. Briggs & Co.	214	5	8
D. E. Maintz & Son	116	4	3
R. H. Dunn	118	2	1
C. Harrison	173	4	10

His transactions were as follows :—

Jan.	3	Received watch parts from E. G. Briggs & Co.	29	17	6
,,	6	Wages paid	35	17	0
,,	,,	Advances repaid	6	3	0
,,	,,	Watches sent off to Daly & Co.	208	1	6
,,	9	Cheque received, G. O. Smith & Co., on account	400	0	0
,,	,,	Paid Rent by Cheque	62	10	0
,,	12	Sold materials, F. Vallance	21	2	10
,,	13	E. V. Williams & Co., accepted bill at one month	750	0	0
,,	,,	After deciding to fight foreign competition, purchased machinery from Patents Manufacturers, Limited	1160	0	0
,,	,,	Wages paid	44	12	0
,,	,,	Advances repaid	11	2	6
,,	15	Paid D. E. Maintz & Son, Cheque, balance Discount	110	0	0
,,	,,	Received Account for advertising from Advertising Limited	150	0	0
,,	16	Sent out to Daly & Co., Watches	452	1	8
,,	,,	Received from Daly & Co., Cheque on account	350	0	0
,,	,,	Paid E. G. Briggs & Co. (Discount £14 5s. 8d.) Cheque	200	0	0
,,	,,	Paid R. H. Dunn (Discount £5 12s. 1d.) Cheque	112	10	0
,,	,,	Paid C. Harrison (Discount £8 4s. 10d.) Cheque	165	0	0
,,	,,	Received Cheque from G. O. Smith & Co. (Discount £16 8s. 2d.)	450	0	0
,,	20	Wages paid	48	17	11
,,	,,	Advances repaid		5	6
,,	24	Purchased from G. H. Cross & Co., Springs ..	133	10	0
,,	,,	Drew from Bank	75	0	0
,,	,,	Received advertising account from D. H. Sewell, Limited	112	12	6
,,	27	Wages paid	59	19	6
,,	,,	Advances repaid	1	5	0
,,	31	Paid advertising accounts by Cheque, net viz. : Advertising, Limited, and D. H. Sewell, Limited.			
		Petty Cash for month	9	4	11
		Received from F. Vallance (discount 2s. 10d.)	21	0	0
		Self, cash	15	0	0
		Cheque in settlement, G. H. Cross & Co. ..	125	0	0

On 31st January the Stock amounted to £2803 0s. 10d.

The following were owing :—

Gas Account	16	11	6
Water Account	3	4	8

Spread advertising over two years and depreciate machinery and tools at the rate of 10% per annum.

Enter items in the appropriate books. Post to Ledgers and take out Trial Balance.

PART II.

From the foregoing, make out Profit and Loss Account and Balance Sheet.

EXERCISE XLV.

National Union of Teachers, 1907.

Elementary.

You may answer all the Questions. All Candidates must attempt the Exercise.

THREE HOURS ALLOWED.

1. Write "John Sharp" at the head of a Ledger Account. Debit him with Balance, £60; credit him with Goods, £20; charge him Interest, £2; credit him with Cash, £41; credit him with Goods, £15; debit him with Cash, £10; and allow him Commission, £1. Balance the account and say whether he is now my debtor or my creditor, and for how much.

2. Explain :—Receipt, Voucher, Folio, Insurance, Unlimited Company.

3. What is the difference between a Journal and a Ledger ?

Exercise.

On 1st March, 1907, the state of John Sharp's business was as follows :—Cash in hand, £425; Goods on hand, £600. Debtors :—N. North, £140 12s. 6d.; E. East, £194 7s. 6d.; S. South, £90. Creditor :—W. West, £150.

You are requested to find and credit his capital. Then enter the following transactions in suitable books, post them to the Ledger, draw out a Trial Balance, balance the accounts, and make out a Profit and Loss Account and Balance Sheet.

1907.				
Mar. 1	Cash Sales	110	10	0
,, 2	Received Cash of E. East, £93. Allowed Discount in addition, £1 7s. 6d.	94	7	6
,, 4	Paid for Postage	2	5	0
,, 5	Received Cash of N. North	120	0	0
	Wrote off his Balance as Bad Debt	20	12	6
,, 6	Received Cash of S. South £88 10s. Allowed Discount in addition, £1 10s.	90	0	0
,, 7	Cash Purchases	145	15	0
,, 8	Sold Goods to E. East	85	15	0
,, 9	S. South bought Goods	135	10	6
,, 12	Paid W. West, Cash, £97 12s. 6d. He allowed Discount in addition, £2 7s. 6d.	100	0	0
,, 14	Received Cash of S. South	50	0	0
,, 15	Sold Goods to E. East	25	0	0
,, 16	Paid Wages	7	15	0
,, 18	Sales to S. South	160	0	0
,, 19	W. West sold me Goods	200	0	0
,, 20	Bought Goods of B. Blunt	275	5	0
,, 22	Paid Rates	4	7	6
,, 23	Received Cash for a Bad Debt previously written off	10	2	6
,, 25	W. West purchased Goods	130	7	6
,, 26	Paid B. Blunt, Cash, £152. Discount in addition, £3 5s.	155	5	0
,, 28	Paid Rent	15	0	0
,, 29	Drew Cash for Private Expenses	20	0	0
,, 30	Interest on Capital	5	10	0
	Stock on hand	680	19	6

Exercise XLVI.

Intermediate.

You may answer all the questions. All Candidates must attempt the Exercise.

THREE HOURS ALLOWED.

1. On 4th March (see the Exercise below), Goods to the amount of £315 are purchased for an Acceptance at 2 months. Write out the document and mark the due date and amount of stamp required.

2. When working the Exercise below, if the two sides of your Trial Balance agree is that conclusive proof that your results are correct thus far ?

Give reasons for your answer.

3. Make out an Account Sales for 500 chests of tea sold by Watson & Co., of London, for the account of Siravali & Co., of Calcutta, showing that the tea realised £1,000 gross, and that the various charges (which you are to give in detail) amounted to £50.

N.B.—The tea is supposed to be in "Bond," therefore the "Duty" need not be taken into account.

Exercise.

On 1st March, 1907, the state of George Gates's affairs was as follows:—Cash in Office, £25; Cash at Bank, £1,200; Goods on hand, £1,800; Bills Receivable, No. 1, £225. Debtors: A. Ash, £540; B. Beech, £210; C. Cherry, £120.

Creditors: Bill Payable, No. 10, £300; D. Damson, £525; E. Elm, £300.

His transactions for the month are given below. You are requested to enter them in the proper books, post them to the Ledger, and make out a Trial Balance, Profit and Loss Account, and Balance Sheet.

The closing entries should be passed through the Journal.

1907.				
Mar. 1	Cash Sales—Cash paid into Bank	215	10	0
,, 2	Paid Gas Account—Office Cash	2	7	6
,, 4	Bought Goods of F. Fir for Acceptance at 2 months	315	0	0
,, 5	Paid for Repairs—Office Cash	4	15	0
,, 7	Received Cheque for Bill Receivable, No. 1, and allowed Rebate	2	10	0
,, 8	Paid for Stationery—Office Cash	1	12	6
,, 9	Bought Goods of A. Ash	262	10	0
,, 11	Sold Goods to B. Beech	90	0	0
,, 12	Paid Water Rate—Office Cash	3	10	6
,, 13	Sold Goods to C. Cherry	165	0	0
	Received his Acceptance at 2 months ..	285	0	0
,, 15	Paid D. Damson Cheque	300	0	0
	And Acceptance at 3 months	225	0	0
,, 16	Returned Goods to A. Ash invoiced at ..	11	5	0
	Drew Cheque for Wages	15	17	6
,, 18	Paid E. Elm Cheque	180	0	0
	And Acceptance at 1 month	120	0	0
,, 19	B. Beech returned Goods invoiced at ..	30	15	9
,, 20	Received Cheque from B. Beech	269	4	3
	Drew Cheque for Private Purposes	20	0	0

EXERCISE XLVI.—(*continued*).

Mar. 21	Received Cheque from A. Ash	138	15	0
	And Acceptance at 2 months	150	0	0
,, 22	Sales to B. Beech	420	15	0
	,, C. Cherry	465	0	0
,, 23	Purchased Goods for Cheque	210	16	6
	Drew Cheque for Wages	15	17	6
,, 24	B. Beech returned Goods value	60	0	0
	A. Ash's Cheque for £138 15s. returned by the Bank this day dishonoured.			
,, 26	Received Demand Note for Rates	10	7	6
,, 27	Purchases from F. Fir	450	0	0
	Purchases from D. Damson	115	10	6
,, 28	C. Cherry retired his Acceptance dated 13th inst. under Rebate with Cheque	282	17	6
,, 29	Returned Goods to D. Damson	10	5	6
	Retired our Acceptance No. 10, Rebate allowed	2	10	0
,, 30	Interest on Capital	12	10	0
	Salaries due but unpaid	30	0	0
	Stock on hand	2100	0	0

EXERCISE XLVII.

National Union of Teachers, 1908.

Elementary.

1. How is the Net Profit or Loss arrived at from a set of books? If the totals of Profit and Loss Account were £60 Dr. and £100 Cr., would you call the balance a profit or a loss?

2. What do you understand by Ledger, Bought Ledger, Sold Ledger, Customers' Ledger?

3. Tell the state of John Brown's business from the following particulars, which you are to set out in proper form:—James White, Thomas Black, and Henry Green owe him £150, £280, and £390 respectively. He owes Walter Williams £240, John Jenkins £410, and Philip Parkes £500. In addition he has Cash in hand £20, and Goods on hand £160.

Exercise.

On 1st January, 1908, the state of Henry Flint's business was as follows:—Cash in hand, £350 12s. 6d.; Goods on hand, £410.

Debtors :—A. Berks, £100 7s. 6d. ; B. Devon, £75 5s. ; C. Kent, £320 15s. Creditors :—D. Lancs, £225 5s. ; and F. Yorks, £80 15s.

You are requested to find and Credit his Capital. Then enter the following transactions in suitable books, post them to the Ledger, draw out a Trial Balance, balance the accounts, and make out a Profit and Loss Account and Balance Sheet.

1908.								
Jan. 1	Paid Salaries					25	10	0
,, 2	Paid Rent					30	5	0
,, 4	Received Cash of C. Kent ..	£217	0	0				
	Allowed Discount in addition	3	15	0				
						220	15	0
,, 6	Paid for Stationery					2	12	6
,, 7	Sales to C. Kent					131	10	6
,, 8	Received Cash for a Bad Debt previously written off					15	10	9
,, 9	Bought Goods of D. Lancs..					50	0	0
,, 10	Received Cash of A. Berks..					75	0	0
	Wrote off Balance of his Account as a Bad Debt					25	7	6
,, 11	Cash Sales					75	10	0
,, 13	Cash received from C. Kent					100	0	0
,, 14	Paid wages					10	7	6
,, 15	C. Kent bought Goods					41	9	6
,, 16	Cash Purchases					68	10	4
,, 17	Paid to D. Lancs Cash ..	£124	0	0				
	Discount allowed in addition	1	5	0				
						125	5	0
,, 18	F. Yorks purchased Goods..					30	0	0
,, 20	Cash received of B. Devon..	£74	0	0				
	Allowed Discount in addition	1	5	0				
						75	5	0
,, 21	Purchases from G. Notts					128	18	6
,, 22	Paid F. Yorks Cash ..	£49	0	0				
	He allowed Discount in addition	1	15	0				
						50	15	0
,, 23	Sales to B. Devon..					112	2	3
,, 24	Paid Cash to D. Lancs ..	£98	0	0				
	Discount allowed in addition	2	0	0				
						100	0	0
,, 25	Paid Wages					10	7	6
,, 28	B. Devon bought Goods					35	0	0
,, 29	Bought Goods of F. Yorks..					76	4	6
,, 30	Drew Cash for private purposes					20	0	0
,, 31	Interest on Capital					4	10	0
	Goods on hand					366	0	4

Intermediate.

Exercise XLVIII.

1. Looking through some accounts I find the totals of the sides to be as follows :—

John Brown, Dr. £50, Cr. £100 ; Cash, Dr. £110, Cr. £160 ; Bad Debts, Dr. £90, Cr. £40.

Say in each case whether the balance is a debit or credit balance, and give its exact meaning.

2. Give the meanings of :—C.I.F. ; F.O.B. ; F.P.A. ; F.G.A. ; H.M.C. ; Cum. Div.

3. £205. *London, 1st January*, 1908.

On demand I promise to pay Adam White the sum of Two hundred and five pounds for value received.

Payable at the City Bank. John Black.

With respect to the above document, write down :— (1) Its name. (2) Its domicile. (3) Its maker. (4) Value and description of stamp necessary. (5) The earliest date on which it may be cashed.

Exercise.

On 1st January, 1908, the state of Abraham Black's business was as follows :—

Assets.—Cash at Bank, £1,200 10s. ; Goods on hand, £1,500 ; B. Brown, £240 17s. 6d. ; C. Green, £250 2s. 6d. ; D. Grey, £108 10s. ; Bills Receivable, Nos. 10-11, £400. Freehold Premises, £5,000.

Liabilities.—Bill Payable, No. 20, £320 ; F. Orange, £310 ; W. White, £75.

His transactions for the month are given below. You are requested to enter them in the proper books, post them to the Ledger, and make out a Trial Balance, Profit and Loss Account and Balance Sheet.

The Closing Entries should be passed through the Journal.

All amounts over £5 paid by cheque. All receipts paid into Bank same day.

1908.					
Jan. 1	Drew and cashed Cheque for Office Cash ..	50	0	0
	Paid Water Rate..	3	12	6
,, 2	Consigned to C. Green, of Quebec, to be sold on my account and risk—			
	Goods invoiced at	400	0	0
	Paid charges on the above	30	10	0
,, 3	Drew by arrangement on C. Green at 3 months for	200	0	0
	Cash sales	275	10	6
,, 4	Bought Goods of F. Orange for 2 mos. bill ..	148	16	6
,, 6	A fire damaged the premises this day to the extent of	200	0	0
	Also destroyed Goods to the value of ..	40	0	0
	(Both the above were uninsured.)			
,, 7	Paid W. White	73	15	6
	Discount allowed in addition	1	4	6
,, 8	Retired bill No. 20 for Cheque	317	17	6
	Rebate allowed	2	2	6
,, 9	Bill receivable No. 9, W. Violet, £250, previously discounted with the Bank, returned this day dishonoured. Noting expenses		12	6
,, 10	Purchased from F. Orange on joint account with B. Brown. Goods invoiced at ..	300	0	0
	Paid Charges thereon	12	10	0
,, 11	Drew Cheque for wages	15	0	0
	Received of B. Brown his half of cost of goods purchased on joint account	150	0	0
,, 13	W. Violet requests a renewal of his dishonoured bill for three months, agreeing to pay noting expenses and £4 interest. A new bill for the whole was drawn accordingly, which he accepted.			
,, 14	Sold Goods to B. Brown for two months' bill..	295	17	6
,, 15	Received of John Bone in discharge of his account written off two years ago.. ..	35	12	6
,, 18	Sold Goods to D. Grey	150	15	0
	Paid F. Orange	310	0	0
,, 20	Received of D. Grey	107	0	0
	Allowed Discount in addition	1	10	0
,, 21	Received sight draft from C. Green.. ..	250	2	6
,, 22	Cash Purchases	305	17	6
	Paid for Coal for Offices	4	7	6
,, 23	Sent Bill Receivable No. 10 to Bank for collection	150	0	0
,, 24	Sold Goods to W. White	96	15	0
	For which he gave a Cheque for £100 and received the difference from Office Cash.			
,, 25	Drew Cheque for Wages	15	0	0
,, 27	W. White's Cheque for £100 returned by the Bank dishonoured.			

Jan.	28	Received Account Sales from C. Green showing that the Goods consigned to him realised £520, and that his charges amounted to £25 10s.			
,,	29	Received Cheque from W. White in settlement of his account.			
,,	30	Drew Cheque for Salaries	45	10	0
		Sold the Goods Purchased on joint account for Cash	410	0	0
		Our Commission on the above	5	10	0
,,	31	Drew Cheque for private purposes	25	0	0
		Interest on capital	33	10	0
		Stock on hand	996	0	0

Exercise XLIX.

Royal Society of Arts Examinations, 1908.

Stage II.—Intermediate.

1. On which side of the Ledger would you expect to find the balance of the undermentioned accounts? Give a brief reason in each case :—

(*a*) Reserve for Bad and Doubtful Debts.
(*b*) Goodwill Account.
(*c*) Suspense Account for Insurance paid in advance.
(*d*) Freehold Property Account.

2. Explain the following: "Reserve Fund," "Rebate," "Sinking Fund," "Depreciation."

3. John Druce, a cycle dealer, had on 31st December, 1907, the following assets :—

Cash at Bank	£300	0	0
,, in hand	25	0	0
Stock	650	0	0
Furniture and Fittings	120	0	0
Bills Receivable :—			
A. Graves, due 9th Jan,, 1908	75	0	0
B. Walters, due 10th Jan., 1908	125	0	0
Owing by :—			
A. Brown	25	0	0
J. Smith	45	0	0
A. Graves	20	0	0
B. Walters	10	0	0
M. Robinson	105	0	0
	£1500	0	0

His liabilities on the same date were :—

Due to H. Sweeting	150	0	0
,, A. Fisher	75	0	0
Bills Payable :—			
S. Unwin, due 6th Jan., 1908	90	0	0
F. Lord, due 8th Jan., 1908	85	0	0
	£400	0	0

John Druce agreed to take M. Robinson into partnership conditionally upon the amount owing by him to John Druce on 31st December, 1907, being paid at once ; and also upon his bringing into the business, in cash, the same amount of capital as was standing to the credit of John Druce's Capital Account at this date ; one-half of this latter amount was to be paid out in cash, by way of premium, to John Druce and was to appear in the books of the partnership as Goodwill. These conditions were duly carried out as on 1st January, 1908.

You are required to make the necessary entries recording the foregoing and to pass through the proper books the following transactions :—

1908.		
Jan.	1	Bought of H. Sweeting 1 dozen bicycle frames at 15s. each ; do. for Cash 4 dozen wooden crates at 3s. each.
,,	2	Sold A. Brown 3 bicycles at £7 10s. od. each, one of which was returned on 3rd January.
,,	3	J. Smith paid his account, deducting £2 for bicycle damaged in transit.
		Sold B. Walters 2 bicycles at £8 8s. od. each, charging him with 2 crates at 3s. 6d. each.
		Bought of A. Fisher 6 pairs of wheels at 30s. a pair and a job lot of accessories for £5.
,,	4	Paid Office Salaries and wages, drawing and cashing a Cheque for same, £6 10s. od.
		Each partner drew out in cash £3 on private account.
,,	6	Paid A. Fisher by cheque £25 on account.
		Bill payable (S. Unwin), due this day, paid by Bank.
		Sold J. Smith one bicycle for £7 10s. od., upon which he paid £2 on account.
,,	7	Bought for cash two second-hand bicycles at 15s. each, one of which was sold for cash the same day for 25s.
		Cashed Cheque for £10 for petty cash purposes.
,,	8	Bill payable (F. Lord), due this day, paid by Bank.
		B. Walters paid the balance of his account as on this day, deducting 5 % discount, which was disallowed.

Feb.	9	Bill Receivable given by A. Graves returned dishonoured; a new Bill at one month being given for the whole of his account.
		Sold to B. Walters 20 brakes at 2s. each and 6 lamps at 5s. each.
		Bought of F. Lord 6 dozen lamps at 3s. each.
,,	10	Bill Receivable B. Walters duly met.
		Sold A. Graves a second-hand bicycle for 30s.
,,	11	Paid Office Salaries and Wages, drawing and cashing Cheque for £6.
		Each partner drew in Cash £3 for private purposes.
		A. Brown accepted a Bill at 3 months drawn upon him for the balance owing by him at this date.

All moneys received were paid at once into the bank. Balance the Ledger Accounts as on 11th January, 1908, bring down the balances and extract a Trial Balance.

N.B.—No Profit and Loss Account or Balance Sheet to be prepared.

Exercise L.

From the following Trial Balance of the Accounts of a Manufacturing Company (whose authorised Capital consists of 15,000 Ordinary Shares of £10 each), prepare a Trading Account and a Profit and Loss Account for the year ended 31st December, 1907, and a Balance Sheet as on that date.

Capital issued and fully paid up 9,000 shares of £10 each					90000	0	0
Stock (1st January, 1907)	32000	0	0				
Cash in hand	150	0	0				
Cash at Bank	2900	0	0				
Purchases	52350	0	0				
Sales					136500	0	0
Sales Returns	400	0	0				
Purchase Returns					750	0	0
Manufacturing Charges	11500	0	0				
,, Wages	28550	0	0				
Salaries	1500	0	0				
Trade expenses	6850	0	0				
Rates and Taxes	250	0	0				
Insurance	190	0	0				
General Expenses	2640	0	0				
Discounts (balance)	1800	0	0				
Bad Debts	570	0	0				
Interest and Bank Charges	350	0	0				
Carried forward ..	142000	0	0		227250	0	0

Brought forward .	142000	0	0	227250	0	0
Land and Buildings .. .	22250	0	0			
Machinery and Plant	35600	0	0			
Sundry Debtors	52500	0	0			
,, Creditors				21750	0	0
Patents	5000	0	0			
Bad Debts Reserve (1st Jan., 1907) ..				2600	0	0
Profit and Loss (balance 31st December, 1906)				750	0	0
Reserve				5000	0	0
	257350	0	0	257350	0	0

Charge Depreciation on Land and Buildings Account at 3% per annum, and on Machinery and Plant Account at 6 %. Make a reserve of 5 % on the Sundry Debtors for Bad Debts; write down Patents Account by 10 %; carry forward £90 of Insurance; and charge £500 as Directors' fees. The value of the Stock as on 31st December, 1907, was agreed at £23,700. Charge 10 % on net profits as remuneration to the Managing Director, and appropriate £2,500 to the Reserve Account, carrying forward the balance.

Exercise LI.

Yorkshire Union of Institutes.

Elementary.

On 1st January, 1904, Edward Ellis commenced business as a Draper. The following transactions should be entered either in

(*a*) The Journal, or
(*b*) Cash Book, Purchases Book and Sales Book.

Open the necessary Ledger Accounts and prepare a Trial Balance.

1904.				
Jan. 1	Commenced business with Cash	2000	0	0
	Paid into Lloyd's Bank	1900	0	0
,, 2	Bought Fittings value £100, and paid by Cheque, 5 per cent. being allowed for cash payment.			
,, 4	Bought Goods from J. J. and G. Cooper ..	370	0	0
,, 7	Sold Goods to S. Smith	27	0	0
,, 9	Bought Bankrupt Stock value £150 for £80, and paid by Cheque			
,, 12	Sold Goods for Cash	12	10	0
,, 14	Paid Cash for Carriage on Goods purchased on 9th	1	15	0
,, 16	Sold Goods to T. Twist	135	0	0
,, 18	Paid J. J. and G. Cooper, cheque on account ..	100	0	0
,, 20	Received from S. Smith, in settlement of his account, Cheque for	25	13	0
	Paid into Bank	100	0	0
,, 22	Bought on credit Goods from sundry persons ..	17	16	0
	Sold Goods on credit to sundry persons ..	54	19	0
,, 23	Bought Counter from Curtis & Co. on credit ..	20	0	0
,, 25	Paid sundry persons for Goods purchased on 22nd, Cash	9	8	0
	Bought Goods from J. J. and G. Cooper ..	230	0	0
	Paid them in full settlement of first account, Cheque for	251	10	0
,, 27	Received Cash from sundry persons for Goods Sold on credit	29	11	0
,, 29	Sold Goods to S. Smith	87	0	0
,, 30	Paid Wages for month (Cash)	10	0	0
	,, sundries during month	1	7	6

2. Journalise the following transactions :—

Stock on hand	2147	16	8
Sundry Creditors	1479	18	2
,, Debtors	1984	16	8
Reserve for Discounts on Debtors' balances ..	100	0	0
Freehold Premises	3000	0	0
Mortgage on Premises	1500	0	0
Plant and Machinery	980	16	10
Cash at Office	87	19	10
Bills Payable	216	6	8
Bank Overdraft	89	19	2
Capital—John Jones, $\frac{2}{3}$		(?)	
,, Joseph Jones, $\frac{1}{3}$		(?)	

3. Give the meaning of the following words :—

(*a*) Liabilities.
(*b*) Assets.
(*c*) Capital.
(*d*) Double Entry.

Intermediate.

Exercise LII.

1. John Woollen and Alfred Worsted were in partnership as wholesale clothiers and also had retail shops at Pudsey and Bradford. Separate accounts of the factory and branches must be kept.

On 1st January, 1908, the following balances were standing in their books :—Cash in hand, £71 18s. 4d. ; Bank overdrawn, £231 17s. 6d. They had plant and machinery at factory, £2000 ; Fittings, etc., at factory, £700, Bradford £80, Pudsey £40. The factory owed A. Archer £500 and sundry persons £300 os. 10d. for goods supplied. There was owing for goods supplied by the factory to sundry persons £800. Stocks on hand : Factory, £900 ; Bradford, £280 ; Pudsey, £160. The Capital was held by the partners in the following proportions : John Woollen $\frac{2}{3}$ and A. Worsted $\frac{1}{3}$.

The branches were distinguished as follows—B. (Bradford), P. (Pudsey).

Open the necessary books, post into Ledger, raise Trading Accounts, Profit and Loss Accounts, and Balance Sheet.

The transactions for January were as follows :—

1904.							
Jan. 2	Goods forwarded from Factory to (B) ..					84	0 0
,,	,, ,, ,, ,, (P) ..					50	0 0
,, 7	Sent from Factory to sundry persons on % of (B) Branch					12	0 0
,, 11	Goods returned from (B) and forwarded to (P)..					25	17 0
	Carriage paid by (B), chargeable ½ to Factory and ½ to (P)					1	7 0
,, 12	Received from sundry persons—						
	Cheques	£126	2	6			
	P.O.'s	25	17	6			
	Discounts allowed ..	8	1	0			
						160	1 0
	Paid into Bank					150	0 0
,, 13	Paid sundry persons—						
	By Cheques	£29	15	0			
	By P.O.'s	7	5	0			
	Discount	1	19	0			
						38	19 0
,, 14	Goods bought from A. Archer (Factory) ..					220	0 0
	Paid A. Archer Cheque for £300, less 2½ % ..						
	Drew £140 from Bank and paid Wages at Factory					129	18 10

Jan. 16	Bought Goods from C. Coates, value £35, which were forwarded direct to branches and invoiced to them as follows :—(B) £29 10s., (P) £10 10s.	40	0	0
„ 19	Received note from (B) for Goods returned to C. Coates, amounting at Factory invoice price to £9 19s. 0d. ; (the cost price being £8 15s.), Carriage paid on same by (B), £1 0s. 6d. chargeable to Coates.			
	Forwarded Goods to branches from Factory— (B) £184 17 4 (P) 65 19 10	250	17	2
„ 20	Sold sundry persons from Factory, Goods ..	317	15	4
„ 22	Goods supplied from (B) to sundry persons on % of Factory	27	10	8
„ 28	Drew £100 from Bank and paid Factory Wages	131	19	3
„ 30	Received Statement of Cash Sales from branches (B) £360 3 2 (P) 264 19 0	625	2	2
	from which the following Payments had been deducted for Salaries, Rents, etc. (B) £27 10 0 (P) 19 17 6	47	7	6
	Received Cheques for Balances of Cash, and paid into Bank	580	0	0
	Received Carriage Account for month (payable on 6th Feb.); two-fifths chargeable to Factory, two-fifths to (B), one-fifth to (P) ..	25	15	0
	Interest on Capital at 5 % to be allowed. Stock at Factory, £950. „ Bradford, £310. „ Pudsey, £140.			

Additional marks will be given for %s showing the gross and net profit at the factory and branches respectively.

2. If the totals of the Trial Balance do not correspond, what steps would you take to bring the same into agreement ?

3. Define :—

(*a*) Floating Assets.
(*b*) Reserve Account.
(*c*) Contingent Account.
(*d*) Suspense Account.

Exercise LIII.

Midland Counties Union of Educational Institutions, 1907.

Elementary.

Part I.

The Assets and Liabilities of George Wilkes, Iron Merchant, on the 1st July, 1906, were :—

Liabilities : H. Jones, £456 6s. ; W. Fletcher, £248 10s. 4d. ; J. Horton, £55 7s. 6d. ; Carriage, £29 8s. 6d. ; Rent, £25 ; Capital, £1,126 13s. 10d.

Assets : F. Hickman, £226 8s. ; H. Sankey, £56 10s. ; G. Frost, £429 17s. 8d. ; Office Furniture and Fittings, £150 ; Horses and Carts, £175 ; Railway Wagons, £300 ; Stock, £525 ; Cash at Bank, £65 ; at Office, £13 10s. 6d.

His transactions were as follows :—

1906.				
July 1	Paid by Cheque for Carriage	29	8	6
,, 5	Sold H. Sankey, 5 tons of Iron @ £9 10s. ..	47	10	0
,, 7	Bought of J. Horton 10 tons Iron @ £7 ..	70	0	0
,, 10	Received Cheque from G. Frost, Discount £2 2s. 6d.	147	17	6
,, 15	Paid H. Jones by Cheque, Discount £3 5s. ..	121	15	0
,, 17	Purchased from H. Jones, 10 tons Iron @ £6 5s.	62	10	0
,, 20	Sold Horse for Cash	27	10	0
	Bought new Office Table for Cash	7	12	6
,, 22	Paid into Bank	20	0	0
	Received Cash from F. Hickman	52	10	0
,, 24	Paid by Cheque Rent for June	25	0	0
,, 25	Received Cheque from H. Sankey, Discount £1 17s. 6d.	54	12	6
	Paid into Bank	15	0	0
,, 28	Sold F. Hickman 15 tons Iron @ £7 10s. ..	112	10	0
,, 31	Paid Wages by Cash	27	10	0
	Petty Cash Payments	2	9	10
	Carriage Account for month amounted to ..	15	10	0
	1 Month's Rent due	25	0	0
	Stock in hand value £515.			

Enter the foregoing items in the proper books ; prepare a Trial Balance, and afterwards draw up a Profit and Loss Account and Balance Sheet.

Part II.

Four questions only are to be attempted. Answers are to be given briefly.

1. What do you understand by I.O.U., C.N., C.O.D., b/f. ?
2. Give all the meanings you know of the word "Dividend."
3. In what way, if any, does a Trial Balance differ from a Balance Sheet ?
4. A tradesman is supplied with 1 cwt. Butter @ £5 9s. 8d. per cwt. He returns 13 lbs. which he finds in a damaged condition. Make a copy of the Credit Note which he should receive.
5. Explain the meaning of "Insolvent" and "Composition."
6. If a man owes you £578 and pays a composition of 7s. 8d. in the £, how much would you lose ?

Intermediate.

Exercise LIV.

Part I.

J. Bassett is a Tobacco Merchant. On the 1st January, 1907, his position was as under :—

Assets : Cash, £27 ; Bank, £1,524 8s. 6d. ; Furniture and Fittings, £270 ; Horses and Carts, £182 10s. ; Tobacco, £625 ; Cigars, £476 ; Cigarettes, £186 ; E. Dean, £165 9s. 3d. ; H. Singleton, £86 9s. 4d. ; H. Richardson, £109 5s. 7d.

Liabilities : Ogden & Co., £97 10s. ; Godfrey Phillips, £176 8s. 8d. ; Wills & Co., £620 ; Smith Bros., £380 7s. 6d. ; John Cotton, £59 10s. ; Capital, £2,318 6s. 6d.

1907.					
Jan.	1	Sold E. Dean, Tobacco £18 5s. 8d. Cigars ..	46	7	0
		Paid Cash for Typewriter	19	10	0
,,	3	Bought of Ogden & Co., Tobacco £45 10s. Cigarettes	22	6	0
,,	4	Paid Wills & Co., Cheque on %, Discount £10 12s. 6d.	320	7	6
		Received Cheque from E. Dean, Discount £2 12s. 8d.	105	0	0
,,	6	Withdrew from Bank for personal expenses ..	22	10	0

Jan.	8	Invoiced H. Richardson, Cigars £17 7s. Cigarettes	9	12	6
		Endorsed E. Dean's Cheque and sent it to Smith Bros.	105	0	0
,,	9	Paid Fire Insurance Premium in Cash ..	3	10	0
,,	11	Purchased from John Cotton, Tobacco ..	48	11	6
,,	12	Received Cheque from H. Singleton on % ..	47	10	0
		Sold Cigars for Cash	25	6	0
,,	16	Sold to H. Richardson, Tobacco £62 10s. Cigars	36	10	6
,,	18	Singleton's Cheque returned by Bank dishonoured	47	10	0
		Returned to John Cotton Tobacco damaged ..	5	6	0
,,	19	Paid for Painting Premises, Cheque.. ..	18	6	0
,,	22	Paid Cash into Bank	10	0	0
		Bought from Wills & Co., Tobacco £78 10s. Cigars	15	10	0
		Cigarettes	42	5	0
,,	31	Paid Wages by Cash	15	0	0
		Paid Rent by Cheque	15	0	0
		Charge Depreciation on Furniture and Fittings	6	5	0
		,, ,, ,, Horses and Carts ..	10	10	0
		Value of Stock: Tobacco, £632 10s.; Cigars, £488; Cigarettes, £212.			

Enter the above items in the proper books and prepare a Trial Balance, and afterwards draw up a Profit and Loss Account and Balance Sheet.

Part II.

Five questions only are to be attempted. Answers are to be given briefly.

1. In what way does the use of a Purchases Book reduce the labour in Book-keeping ?

2. G. Lane owes £84 and pays a composition of 8s. in the £. How would you record this transaction in the Journal ?

3. What do you understand by "Turnover" (1) as applied to a Trade and (2) in Banking ?

4. What is the meaning of the letters E.E., or E. and O.E. at the foot of an Invoice ?

5. What do you understand by "Demurrage," "Drawings"?

6. What is meant by a Deed of Arrangement ? On which Creditors is it not binding ?

7. What do you understand by "Goodwill" ? What is a fair price for the goodwill of a business ?

Advanced

Exercise LV.

Part I.

H. Shepherd and G. Elkington entered into co-partnership as Builders and Contractors at Northampton on 1st Jan., 1906. Elkington's capital was £1,000, Shepherd's was £4,000. Profits or losses were to be shared equally, 5 % was to be credited to each partner in respect of his Capital and 5 % was to be charged on their respective drawings. Elkington was to be credited with £25 each quarter as salary for management. The following is a copy of the Trial Balance of their books on 31st Dec., 1906, but no interest had been charged either upon the Capital or upon Drawings, nor had Elkington been credited with his salary.

The Stock was taken and amounted to £3,750. The drawings of the partners had been as follows: Shepherd, 1st Feb., £50; 1st April, £100; 1st June, £50; 1st Aug., £50; 1st Oct., £100; 1st Dec., £50. Elkington, 1st Feb., £25; 1st March, £37 10s.; 1st May, £62 10s.; 1st June, £50; 1st August, £25; 1st Sept., £37 10s.; 1st Nov., £62 10s.; 1st Dec., £50.

Sales						9756	10	7
Purchases	3857	6	6					
Cash	365	2	11					
Bills Payable				421	3	4		
Creditors				1062	7	1		
Rents	525	7	6					
Bank				664	19	9		
Taxes and Insurance	224	12	6					
General Charges	108	2	2					
Buildings	2500	0	0					
Shepherd's Capital				4000	0	0		
Elkington's ,,				1000	0	0		
Interest and Discount	250	3	7					
Salaries	457	10	0					
Wages	1304	2	6					
Carriage and Freight	255	4	7					
Repairs and Depreciation	212	5	7					
Plant and Tools	1437	14	5					
Shepherd's Drawings	400	0	0					
Elkington's ,,	350	0	0					
Debtors	4657	8	6					
	16905	0	9	16905	0	9		

Prepare a Trading Account, Profit and Loss Account, and Balance Sheet, giving effect to the respective partnership terms as to Interest on Capital and Drawings, Partners' Salaries, and division of Profits and Losses.

Part II.

Five questions only are to be attempted. Answers are to be given briefly.

1. Give the primary divisions into which Ledger Accounts are divided, when it is impossible to keep all the accounts in one Ledger.
2. State the meaning of the following as applied to a Company: "Limited," "Unlimited," "Private," "Public."
3. Define shortly: "Sinking Fund," "Reserve Fund."
4. Make out a Bill for £200 drawn on 6th Dec., 1906, by Hirons & Co., of Leicester, upon A. Jones, of Nottingham, and accepted by him.
5. What are the essential points in drafting a B/E?
6. What do you understand by the following: "Underwriter," "Trustee," "Surety," "Proxy"?

Exercise LVI.

Examination of the Lancashire and Cheshire Union of Institutes, 1907.

Elementary Grade.

Part I.

1. What do you understand by:—
   (*a*) Capital.
   (*b*) Voucher.
   (*c*) Bringing down a balance?
2. Mention two or three ways in which a cheque can be crossed.
3. What is a bank pass book? Explain its use to a business man.
4. Rule the form of a Petty Cash Book and enter an amount of £12 received by the petty cashier on the 1st March, 1907, and the details of four payments made by him for the week ended the 8th March. Bring down the balance.
5. On 1st January, 1907, John Smith had cash in hand, £5 10s., cash at Bank, £60 10s., goods on hand, £125, and

William Alton owed him £7. He owed to Arthur Roberts £27 10s.—Journalise (only) the above.

PART II.

6. On the 1st March, 1907, Charles Henry Smithson commenced business as a Grocer with £1,000 Capital, of which £950 was paid into his Banking Account, and £50 retained as Cash in hand for business purposes. His transactions for the month were as follows :—

1907.				
Mar. 1	Purchased Goods at J. Robinson & Son's auction mart, and paid Cheque	731	5	0
	Also bought Office Furniture and Fittings for which he paid Cash	38	0	0
,, 9	Sold to Mrs. B. Vero, Goods	7	5	0
,, 13	Purchased from Lipton's, Ltd., Tea	28	10	0
,, 15	,, ,, J. G. Cooper, Sugar	13	5	0
,, 16	Paid Lipton's, Ltd., a Cheque in full settlement of account	27	0	0
,, 18	Goods bought at J. Robinson's auction mart and paid Cash	10	0	0
,, 19	Sold to Mrs. A. Harker, Goods	3	3	0
,, 25	Received from Mrs. B. Vero, Cash	7	0	0
	And allowed her discount		5	0
,, 29	Cash Sales for month	152	0	0
	Paid shop assistants' wages for month (Cash) ..	5	6	0
	Paid rent for month (Cheque)	5	0	0
	Paid trade expenses for month (Cash) ..	9	10	0
	Paid into Bank	102	5	0

Enter the above items in the proper books, post to Ledger Accounts, and prepare a Trial Balance.

PART III.

7. From the foregoing, make out Profit and Loss Account and Balance Sheet, on 31st March, 1907, taking the value of the stock on that date at £659 3s.

Intermediate Grade.

EXERCISE LVII.

PART I.

8. What is the meaning of :—

(*a*) Book debts ?

(*b*) Dividend ?

(*c*) Reconciliation Account ?

9. What are the advantages of double entry book-keeping over single entry? Can a trader who keeps his books by single entry ascertain his profit or loss for any period, and if so, how?

10. What do you understand by the "opening entries," and "closing entries" of a business? Give an example of each.

11. Upon which side of a Ledger would you expect to find the following balances :—

(*a*) Discount Account.
(*b*) Goodwill Account.
(*c*) Furniture and Fittings Account.
(*d*) Rents received account?

12. Explain the meaning of :—

(*a*) Personal Account,
(*b*) Impersonal Account,

and give an example of each.

13. Sketch a form of Wage Book (for a week) for a firm of joiners who pay their men according to the number of hours they work at a fixed rate per hour. Fill in the particulars for the week ending 9th March, 1907, for :—

Albert Smith, who works 50 hours at 9d. per hour.
Harry Jones, who works 54 hours at 9½d. per hour.

Part II.

14. On the 1st January, 1907, the position of Moses Atkinson, trading as M. Atkinson & Co., Drapers, Llandaff, was as follows :—

Cash in hand	£56 10 0	
Petty Cash in hand	7 8 0	
Balance in Bank	349 12 0	
Office Furniture and Fittings	57 15 0	
Cost of Electric Light installation ..	125 0 0	
Stock in trade	3026 5 0	
Owing by Geo. Somers & Co.	121 0 0	
,, Richard Smith	98 19 0	
,, A. Abson & Sons	26 10 0	
Owing to W. Wilson		£339 19 0
,, Dickenson Bros.		237 8 0
,, Whittaker's, Ltd.		107 14 0

The transactions for the month were as follows : --

1907.				
Jan. 1	Purchased from W. Wilson, Goods	128	10	0
	Sold to Richard Smith, Goods	59	8	0
,, 7	Received Cash from Geo. Somers & Co., in full settlement, which I accept	118	17	0
,, 9	Paid Fire Insurance out of petty cash ..	4	3	0
,, 12	,, W. Wilson by cheque—*a/c* £339 19 0 Less Discount 5 % 17 0 0	322	19	0
,, 14	Returned to Whittaker's, Ltd., Goods which were defective	10	14	0
,, 17	Sent Whittaker's Cheque for balance of *a/c*. Less 5 % Discount.			
,, 18	Received a three months' Bill from Richard Smith	96	8	0
	and allowed him Discount	2	11	0
,, 19	Paid Smith's Bill into Bank who charged me for Discount	1	0	0
	and credited my account with	95	8	0
,, 20	Moses Atkinson (proprietor) withdraws for his *private a/c* household expenses, Cash ..	50	0	0
,, 21	Purchased a new Milner's safe for .. and paid Cheque	22	5	0
,, 22	Received Cheque, and paid into Bank same day, from A. Abson & Sons, on account ..	10	0	0
,, 30	Paid Wages of Assistants during month, out of Cash	105	10	0
	Paid rent, by Cheque	30	0	0
	Paid Stationery and sundry expenses out of Cash	3	15	0
	Paid Stationery and sundry expenses out of petty Cash	1	7	0
	Cash Sales during month	505	10	0
	Paid Cash into Bank during month.. ..	490	5	0
	Write £10 off Furniture and Fittings, etc. ..			
	Charge Moses Atkinson £1 for interest on drawings.			
	Credit his Capital Account with £12 for interest.			

Enter the above items in the proper books, post to Ledger, and take out Trial Balance.

Part III.

15. From the foregoing, close the accounts, bring down the balances, make out Profit and Loss Account, and Balance Sheet. On 31st January, the Stock amounted to £2,819 13s.

Exercise LVIII.

Examination of the Lancashire and Cheshire Union of Institutes, 1908.

Elementary Grade.

Part I.

1. Explain the meaning of the following :—
   (*a*) Personal Account.
   (*b*) Impersonal Account.
   (*c*) Crossed cheque.

And give an example of each.

2. What is the object of a Goods Account, and how is it balanced ?

3. Explain the difference between Cash Discount and Trade Discount.

4. On the 1st April, 1908, James W. Barlow had Cash in hand, £17 10s. ; Goods on hand, £50 10s. ; and W. Anson and Charles Harper owed £20 10s. and £17 respectively ; Barlow had no liabilities, excepting Lloyds Bank, Ltd., to whom he owed £17 10s. Journalise (only) the above.

5. Make out Sam Jay's account in your Ledger in respect of the following dealings during March, 1908 :—

1908.			
Mar. 2	Jay buys Goods from you	£20	0 0
,, 8	You receive Cash from Jay on account ..	15	0 0
,, 10	You Sell Goods to Jay	16	0 0
,, 31	You Buy Goods from Jay	2	0 0

Bring down the balance.

Part II.

On the 1st March, 1907, William Slater commenced business with a balance at his bankers of £1,500, and Cash in office, £225. The transactions for the month were as follows :—

1907.				
Mar. 1	Purchased Goods for Cash	175	0	0
.. 2	Paid for Office Furniture and Fittings, Cash ..	10	0	0
.. 5	Paid into Bank	25	0	0
.. 6	Sold W. Anson, Goods	142	0	0
.. 9	Received from W. Anson on account ..	100	0	0
.. 12	Sold J. Wormald, Goods	35	0	0
.. 15	Received from J. Wormald	32	0	0
	And allowed him Discount	3	0	0
.. 16	Bought of Sims & Co., Goods	80	0	0
.. 19	Paid Cheque to Sims & Co. in full settlement ..	76	0	0
	Purchased from Emile Robarts, Goods ..	50	0	0
.. 31	Cash Sales for month	20	0	0
	Paid Wages by Cash	15	0	0
	„ Rent for month by Cheque	10	0	0
	„ into Bank	100	0	0

Enter the above transactions in the proper books, post to Ledger accounts and prepare a Trial Balance.

Part III.

From the foregoing, make out Profit and Loss Account and Balance Sheet on 31st March, 1907, taking the value of the Stock on that date at £128.

Intermediate Grade.

Exercise LIX.

Part I.

1. A merchant sells to John Black goods to the amount of £600, and as Black cannot pay for them when due the merchant takes a Bill at 3 months for £615, charging £15 for interest. Journalise (only) the above transaction in the merchant's books.

2. Explain briefly the following terms as used in connection with cheques: "Endorsing," "Dishonoured," "Not Negotiable," "Refer to Drawer."

3. What are the points of difference between a Bill of Exchange and a Promissory Note? Write out the form of a Promissory Note.

4. What do you understand by a Trial Balance? What is its use? When should it be prepared?

5. On the 30th June, 1908, when you take out your balances you find that William Armstrong is indebted to you in the sum of £80. It is found out, however, that by an oversight you have omitted to give him credit for goods returned, amounting to £20, by which amount his account is now reduced. On the

30th September, 1908, you receive from his Trustee in Bankruptcy a first and final dividend of 4s. 6d. in the £. Where and how would you enter this transaction of the 30th September, 1908?

6. A friend of yours is starting a business which is divided into three departments, A, B, C. He is anxious to know the Profit or Loss on each department. Give a list of the books which you would advise him to keep, with the ruling of one of the books only.

Part II.

On the 1st March, 1908, Walter Benn bought from W. James his business as merchant, paying him cash £500 for Stock-in-Trade, £100 for Fixtures, and £50 for Office Furniture. He also paid into the Bank £600 for further working Capital, and retained a further £50 for office cash. The transactions for the month of March were as follows :—

Mar.	1	Drew and cashed Cheque for petty cash ..	20	0	0
,,	2	Purchased from A. Penny, Goods for Cheque..	500	0	0
,,	4	Sold Goods to W. Nield	205	0	0
,,	6	Received Bill at 3 months from W. Nield in settlement of his account	200	0	0
		Discounted Bill at Bank who charged me £3 Discount	3	0	0
,,	8	Paid Postages out of petty cash	4	0	0
,,	10	Paid his Accountant Cash for having examined the books of W. James	20	0	0
		Paid Solicitor Cash for expenses in connection with the transfer of W. James's business ..	10	0	0
,,	12	Purchased Goods from A. Penny	250	0	0
,,	14	Walter Benn withdraws from Bank for household expenses	50	0	0
,,	16	Received Credit Note from A. Penny for Damages to Goods bought on the 12th inst.	20	0	0
,,	18	Sold Goods to C. Gibson .. .. .. of which he returned on the following day not up to sample	140 20	0 0	0 0
,,	20	Received Cheque from C. Gibson in settlement, and paid into Bank	120	0	0
,,	21	Cheque from C. Gibson returned from Bank as dishonoured.			
,,	22	Sold Goods to C. Smith	25	9	8
,,	31	Paid Rent by Cheque	50	0	0
		,, Sundry Expense out of petty cash ..	3	0	0
		Drew Cheque for Salaries and paid £48 ..	50	0	0
		Bank have credited my account with interest £4, and charged me with Commission £3.			

The Accountant's and Solicitor's charges can be charged one half to the month of March and the other half to be carried forward for the month of April.

Enter the above items in the proper books, post to Ledger and take out Trial Balance.

Credit Capital Account with interest £5, and write £8 off Fixtures and £5 off Office Furniture.

Part III.

From the foregoing, close the accounts, bring down the balances, make out Profit and Loss Account and Balance Sheet. On the 31st March the stock amounted to £999 10s. 4d.

Exercise LX.

NATIONAL UNION OF TEACHERS EXAMINATIONS, 1909.

Elementary.

You may answer ALL *the questions.*

(THREE HOURS ALLOWED.)

1. Give the meanings of the following: Account, Commission, Posting, Solvent, Sterling, Voucher.

2. Rule a model Sales Book, and enter two of the following items to each of two names (and dates) of your own choice: 6 gross buttons, at 5d. per doz.; 20 yds. silk, at 10s. 6d. per yd.; 5 doz. hats, at 2s. 6d. each; 90 ties, at 21s. per doz.

3. Each day, from Monday to Saturday (six days), a costermonger bought 17s. 6d. worth of fruit. His takings were 23s. daily. On Saturday night he reckoned he had 2s. 6d. worth of fruit left. Make out an account, showing his profit for the week.

Exercise.

On January 1st, 1909, the state of Francis Fair's business was as follows: Cash in hand, £365; Goods on hand, £420.

Debtors: B. Best, £115; D. Dean, £80; K. Kew, £315.

Creditors: L. Lord, £205; Y. Young, £90.

You are requested to find and credit his capital. Then enter the transactions given below in suitable books, post them to the Ledger, draw out a Trial Balance, balance the accounts, and make out a Profit and Loss Account and Balance Sheet.

1909								
Jan. 1	Paid Rent				25	0	0
,, 2	Received of K. Kew ..	197	10	0			
	Discount in addition ..	2	10	0			
					200	0	0
,, 4	Paid Water Rate				5	5	0
,, 6	Sales to K. Kew				120	15	6
,, 7	Received Cash for a Bad Debt written off last year				24	12	8
,, 8	Bought Goods of L. Lord				65	10	6
,, 9	Received Cash of B. Best				102	12	6
	Wrote off the balance of his debt as Bad				12	7	6
,, 11	Cash Sales				90	3	4
,, 12	Cash Purchases				70	13	4
,, 13	Received Cash of K. Kew	113	12	6			
	Discount in addition ..	1	7	6			
					115	0	0
,, 14	Paid L. Lord, Cash ..	146	5	0			
	Discount in addition ..	3	15	0			
					150	0	0
,, 15	K. Kew bought Goods				32	8	4
,, 16	Paid Wages				8	15	0
,, 18	Y. Young purchased Goods				35	7	6
,, 19	D. Dean paid me	78	8	0			
	Discount in addition ..	1	12	0			
					80	0	0
,, 20	Purchases from N. Nash				136	10	0
,, 21	Paid Y. Young, Cash ..	53	0	0			
	Discount in addition ..	1	12	6			
					54	12	6
,, 22	Sales to D. Dean				120	13	4
,, 23	Paid Wages				8	15	0
,, 25	Paid L. Lord, Cash ..	53	12	6			
	Discount in addition ..	1	7	6			
					55	0	0
,, 26	D. Dean bought Goods				24	16	8
,, 27	Paid to N. Nash, Cash ..	35	0	0			
	Discount in addition ..	1	10	0			
					36	10	0
,, 28	Y. Young sold me Goods..				85	10	9
,, 29	Drew Cash for Self				25	0	0
,, 30	Paid Salaries				35	0	0
,, ,,	Interest on Capital				4	3	4
,, ,,	Stock on hand				495	0	0

Exercise LXI.

NATIONAL UNION OF TEACHERS EXAMINATIONS, 1909.

Intermediate.

You may answer ALL *the questions.*

(THREE HOURS ALLOWED.)

1. Describe briefly the Imprest System of Petty Cash.

2. During the week a costermonger invested £5 in fruit and 10s. in paper bags. He paid the boy who helped him 7s., and the hire of his barrow cost him 3s. 6d. On Saturday night he found his takings amounted to £8, and he reckoned he had 1s. 6d. worth of bags and 5s. worth of fruit left.

Make out an account showing his profit for the week.

3. Explain: Bonded Goods, Del Credere, Rebate, Scrip, P.P.I., A/S.

The affairs of Arthur Abel, Contractor, stood as follows on January 1st, 1909:—

Assets.—Cash in Office, £30; Cash at Bank, £900.

Bills receivable, No. 1, £200; No. 2, £240.

Benjamin Binns, £720; Expenditure on Contract 10, £2,160; Expenditure on Contract 11, £4,800; Freehold Premises, £7,500; Horses and Carts, £1,100; Stock of Materials, £3,000.

Liabilities.—Bills Payable, No. 20, £150; No. 21, £250; Charles Cain, £350; Instalments received on Contract 10, £1,200; Instalments received on Contract 11, £3,600.

His transactions for the month are given below. You are requested to enter them in the proper books, post them to the Ledger, make out a Trial Balance, Profit and Loss Account, and Balance Sheet. Closing entries should be passed through the Journal. All payments, unless otherwise stated, are made by cheque; all receipts are paid into the Bank same day.

1909					
Jan. 1	Received Cheque for Bill No. 1	198	10	0
	Rebate allowed	1	10	0
" "	Signed Contract 12 to restore St. John's Church for	4000	0	0
" 2	Bought of Charles Cain, Bricks value ..	530	10	6
	Paid him Cheque	350	0	0
	And Acceptance at 3 months	300	0	0

Jan.	4	Paid for two new Horses	75	0	0
,,	,,	Paid for Postages, etc.—Office Cash ..	2	12	6
,,	5	Received Instalment on Contract 11 ..	615	0	0
,,	6	Paid Wages—Contract 10	155	15	0
,,	,,	,, ,, ,, 11	90	5	0
,,	7	Materials supplied to Contract 10 ..	365	10	0
,,	,,	,, ,, ,, 11 ..	550	10	0
,,	,,	,, ,, ,, 12 ..	240	15	0
,,	8	Retired Acceptance No. 20 for Cheque ..	148	12	6
		And Rebate	1	7	6
,,	9	Bought Tiles of Chas. Cain for 2 mos.' Bill	230	17	6
,,	11	Received Cheque from Benjamin Binns ..	411	12	0
,,	,,	Discount in addition	8	8	0
,,	,,	Paid for Repairs to Carts	10	5	6
,,	12	Bill Receivable No. 2, Frank Fox £240, due this day, returned dishonoured ..			
,,	,,	Noting Expenses—Office Cash	0	12	6
,,	13	Retired Acceptance No. 21, Cheque ..	247	10	0
,,	,,	Rebate allowed	2	10	0
,,	14	Arthur Abel's Drawings	45	0	0
,,	,,	Charge Benjamin Binns for repairing his roof	12	2	6
,,	15	Bought Cement of Chas. Cain	290	10	6
,,	16	Paid Wages—Contract 10	60	0	0
,,	,,	,, ,, ,, 11	100	14	6
,,	,,	,, ,, ,, 12	45	7	6
,,	,,	,, ,, Yard Watchman—Office Cash	1	15	6
,,	18	Materials supplied to Contract 10 ..	605	0	0
,,	19	Received Instalment Contract 10.. ..	720	0	0
,,	20	Paid for Water to Contract 11.. ..	5	10	0
,,	,,	Materials supplied to Contract 12 ..	175	2	6
,,	21	Wrote off value of a Horse killed in street	35	0	0
,,	22	Received of Edward Easton for Cartage..	20	5	9
,,	23	Contract 10 completed and passed. Final Instalment received	2400	0	0
,,	25	Contract 11 completed. Balance due ..	1200	0	0
,,	26	Received instalment on Contract 12 ..	150	0	0
,,	27	Received Cheque for Frank Fox's dishonoured Bill and Noting Expenses ..			
,,	28	Received Instalment on Contract 11 ..	600	0	0
,,	30	Paid Salaries	80	0	0
,,	31	Interest on Capital	54	0	0
,,	,,	Depreciation of Premises	10	0	0
,,	,,	Stock of Materials on hand	2200	0	0

Exercise LXII.

ROYAL SOCIETY OF ARTS EXAMINATIONS, 1909.

Stage 1.—Elementary.

1. What do you understand by the terms "balance down," "trial balance," and "balance sheet"? What is the chief

difference between the last two? Does the term "balance down," closing the debit side of an account, mean that the account is in credit, or in debit, and why?

2. Give a form of Cash Book you would recommend as suitable for recording both cash and bank transactions. Start the book with a balance at the Bank, and draw a cheque in favour of "self," the proceeds of which are to be used in making cash payments. Make six further entries on the debit side, paying all receipts into the Bank, and six further entries on the credit side, three being cash payments and three payments by cheque; balance the Cash Book and carry down the balances.

3. On February 27th, 1909, John Jones sold William Smith 3 lbs. of tea at 1s. 9d., 2 lbs. of sugar at 6½d., 2 ozs. of Jordan almonds at 2s. 6d. a lb., and 3 tins of potted salmon at 5s. 4d. the dozen. Make an Invoice of the goods supplied.

4. On April 3rd, 1908, Thos. Fisher sold George Kent goods to the amount of £30 15s. 0d.; on May 4th, Kent paid Fisher £20 5s. 0d. on account; on April 30th, Fisher sold Kent £45 10s. 0d. of goods; on May 31st, Kent paid Fisher £32 10s. 0d. on account; on June 4th, Kent returned to Fisher £5 10s. 0d. goods (not being up to sample); on June 12th, Fisher sold Kent £42 8s. 0d. of goods; on June 30th, Kent paid Fisher the balance owing upon the transactions of April 3rd and 30th, after deducting 2½% discount, together with a further amount of £20 on account. As on June 30th, Fisher sent a three months' statement to Kent. Draw the statement so sent.

5. On May 31st, 1908, George Kent paid Thos. Fisher £32 10s. 0d. He paid this by cheque on the Credit Banking Company, Limited. Sketch the form of cheque he would use, and "draw" it, making it as secure as you can against loss by theft or mis-chance.

6. On January 1st, 1908, J. Ferguson started business as a grocer, and paid £200 into the Union Bank by way of Capital. On that day goods were delivered by McDonald & Co. to him, which he had previously ordered to the value of £50, and for which he paid by cheque, deducting 5 % discount for cash. The same day he made "cash sales" amounting to £4 6s. 2d., which he paid into the Bank.

On January 2nd he drew and cashed a cheque for £5 for

petty cash purposes, and purchased for cash 5s. worth of stamps and 15s. worth of stationery. The cash sales on this day amounted to £1 7s. 7d., which he paid into the Bank, and he also sold goods on credit to Mrs. Murphy amounting to £2 4s. 6d. and to Mr. Graham amounting to £1 4s. 4d.

On January 3rd he bought further goods from McDonald & Co. amounting to £25 16s. 10d., but this time the purchase was on "credit terms." On January 4th, Mrs. Murphy paid £1 on account of the goods supplied to her, and this amount, together with the cash sales for two days, £4 3s. 7d., was paid into the Bank. On the same day he supplied goods amounting to £1 16s. 10d. on credit to Mr. Graham, who, at the time of ordering, paid for the goods supplied on January 2nd, less 4s. 4d. discount, and this amount was paid to the Bank. On January 5th, he bought goods on credit from W. McNab & Sons amounting to £14 12s. 8d., and paid McDonald & Co.'s account, less 5 % discount, by cheque.

Open Ledger Accounts and post direct the above transactions. Then balance the accounts, and bring down the balances.

Exercise LXIII.

ROYAL SOCIETY OF ARTS EXAMINATIONS, 1909.

Stage II.—Intermediate.

(THREE HOURS ALLOWED.)

Only ONE *question to be answered, but* BOTH *exercises to be worked.*

1. Explain briefly the following: "Goodwill," "Dead Rent," "Bill of Lading," "Bill of Sale," "Letter of Credit."

2. Which of the balances of the following accounts would you expect to find in the Balance Sheet, which in the Trading Account, and which in the Profit and Loss Account? Give your reasons in each case.

(*a*) Machinery repairs and renewals.
(*b*) Discounts allowed.
(*c*) Unexpired proportion of apprentice premiums.
(*d*) Transfer fees.
(*e*) Unclaimed dividends.
(*f*) Stock of goods and materials on hand.

3. J. Bennett & Co., Ltd., had, on December 31st, 1908, the following Ledger Balances:—

				Dr.			Cr.		
Ordinary Share Capital							5000	0	0
Preference Share Capital ..							5000	0	0
Sundry Creditors—									
J. Jinks	200	0	0						
F. Flint	800	0	0						
J. Smith ..	150	0	0						
Johnson & Co.	250	0	0						
							1400	0	0
							1000	0	0
Profit and Loss Account ..									
Stock				3000	0	0			
Buildings				6000	0	0			
Cash at Bank				1000	0	0			
Bills receivable—									
W. Cox (due Jan. 5th, 1909)	250	0	0						
J. Cooper & Co. (due Jan. 7th, 1909)	250	0	0						
				500	0	0			
Sundry Debtors—									
Thomas Green ..	100	0	0						
W. Cox	50	0	0						
J. Cooper & Co.	150	0	0						
A. Black & Co., Ltd.	250	0	0						
J. Jones ..	300	0	0						
Cook & Co. ..	1050	0	0	1900	0	0			
				12400	0	0	12400	0	0

You are required to open Ledger Accounts, recording the above and to pass the following transactions through the proper books to the Ledger.

1909	
Jan. 1	Drew and cashed petty cash cheque, £5.
,, ,,	Sold W. Cox 120 yds. of Silk at 5s. 6d. per yd.
,, 2	Accepted bills drawn by F. Flint, viz.: three for £250 each drawn at one month, two months and three months respectively. Paid Flint the balance of his account by

		cheque, deducting 2½ % discount on the whole account as on December 31st, 1908.
Jan.	2	Bought for £4 10s. 0d. a parcel of Silk.
,,	,,	Drew and cashed cheque for petty cash and wages, £15.
,,	,,	Paid wages in cash £12 10s. 0d.
,,	4	Received from J. Cooper & Co. £50 on account.
,,	,,	Sold Thomas Green 20 yds. of Irish Linen at 3s. per yd.
,,	,,	Bought of F. Flint 75 yds. of Irish Linen at 2s. per yd.
,,	5	Received fees on transfer of shares, 10s.
,,	,,	Paid, by cheque, Tool & Co., £47 10s. 0d. for repairs to buildings.
,,	,,	W. Cox's bill due and paid to bankers.
,,	6	Sold A. Black & Co. 150 yds. of Black Silk at 10s. per yd.
,,	,,	A Black & Co. paid the whole of their account less 5 % discount.
,,	7	J. Cooper & Co.'s bill due but not met. Two new bills of equal amount given at one month and three months respectively to cover the whole amount due from them.
,,	8	Bought of J. Jinks 9 pieces of Velvet, each of 40 yds., at 8s. 6d. a yard.
,,	,,	Received of Cook & Co. £250 on account.
,,	,,	Received a first and final dividend of 5s. in the £ on Thomas Green's account.
,,	9	Paid, in cash, carriage account, 30s. Paid, by cheque, legal expenses, £7 10s. 0d. Purchased postage stamps, £2. Paid, by cheque, stationery account, £1 15s. 0d. Drew and cashed cheque for petty cash and wages, £17 10s. 0d. Paid wages in cash, £14.
,,	11	Received of J. Jones the amount of his account, less 2½%.
,,	,,	Paid J. Smith the amount of his account less a discount of 2½ %, after taking into consideration an allowance made by him of £10 for short delivery of goods.

All moneys received were paid at once into the bank. Balance the Ledger Accounts as on January 11th, 1909; bring down the balances and extract a Trial Balance.

N.B.—No Profit and Loss Account or Balance Sheet to be prepared.

4. From the following Trial Balance, extracted from the books of J. & J. Robinson, prepare a Trading Account and a Profit and Loss Account for the year ended December 31st, 1908, and a Balance Sheet as on that date.

TRIAL BALANCE.

	Dr.			Cr.		
James Robinson, Capital Account				5000	0	0
Joshua ,, ,, ,,				4000	0	0
James ,, Drawings Account	437	10	0			
Joshua ,, ,, ,,	246	11	7			
Land and Buildings	2500	0	0			
Plant and Machinery	1426	17	7			
Furniture and Fixtures	125	8	4			
Carriage	437	1	4			
Wages (Manufacturing)	2147	6	1			
Salaries	467	10	0			
Bad Debts Reserve (as on 31.12.1907)				247	6	2
Sales				9122	16	9
,, Returns	176	2	7			
Bank Charges and Interest ..	14	4	6			
Coal, Gas, and Water	72	1	7			
Rates and Taxes	84	7	6			
Discount Account (balance) ..				12	7	6
Purchases	4216	17	2			
,, Returns				846	2	2
Bills Receivable	127	10	0			
Trade Expenses	49	7	9			
Sundry Debtors	3781	15	9			
,, Creditors				1217	15	1
Stock (December 31st, 1907) ..	2642	14	8			
General Expenses	149	1	5			
Fire Insurance	49	15	0			
Apprentice Premium				50	0	0
Cash at Bank and in hand	1344	4	10			
	20496	7	8	20496	7	8

Charge Depreciation on Land and Buildings Account at $2\frac{1}{2}$ %, on Plant and Machinery Account at 10 %, and on Furniture and Fixtures at 10 %. Make a reserve of 5 % on the Sundry Debtors for Bad Debts. Carry forward the following unexpired amounts:—

(1) Fire Insurance	12	7	2
(2) Rates and Taxes	24	2	6
(3) Apprentice Premiums	40	0	0

Charge 5 % Interest on Capital but not on Drawings. Profits and Losses are to be shared in the following proportions: James Robinson five-ninths, Joshua Robinson four-ninths.

The value of the Stock as on December 31st, 1908, was agreed at £2,939 9s. 3d.

Exercise LXIV.

THE LONDON CHAMBER OF COMMERCE

Examination for Junior Commercial Certificates, 1909.

(TWO HOURS ALLOWED.)

1. State the objects of the following books and the methods of using the same, upon the basis of the double-entry system:

Cash Book.
Purchase Book.
Returns Inwards Book.
Bills Receivable Book.

2. Some of the balances in John Jones' Ledger on October 1st, 1907, were:—

A. Fell, *Cr.*	300	0	0
R. Lion, ,, ...	165	0	0
B. Smith, *Dr.*	171	0	0
A. Seal, ,, ...	300	0	0
Bills payable	200	0	0
Stock on hand	855	0	0
Rent due..	75	0	0
Petty Cash in hand	18	0	0
Cash at Bank	550	5	0

Open the Ledger.

Enter the following transactions in the proper subsidiary books, and post the same to the Ledger:—

Oct.	1	Bought of A. Fell, cloth	180	0	0
,,	,,	,, R. Lion, cloth	335	0	0
,,	4	Sold to A. Seal, cloth	220	0	0
,,	6	Sold to B. Smith, cloth	112	10	0
,,	8	Paid A. Fell by cheque	300	0	0
,,	10	Accepted R. Lion's draft, £500, at three months from this date.			
,,	13	Received from A. Seal, cheque	292	10	0
,,	,,	Allowed A. Seal discount	7	10	0
,,	,,	Paid cheque for rent..	75	0	0
,,	15	Sold A. Seal, cloth	118	5	0
,,	18	,, B. Smith, cloth..	216	10	0
,,	20	At B. Smith's request drew on him for £500 at three months.			
,,	23	Discounted B. Smith's acceptance at my bankers, who charged for discount, £4.			

Oct. 24	Paid Bills payable	200	0	0
,, 26	Bought of R. Lion, cloth	250	0	0
,, 28	Sold B. Smith, cloth..	225	10	0
,, 31	Drew the following cheques : Salaries, £30 ; Petty Cash Expenditure for month, £16 ; Private Drawings, £40.			
,, ,,	B. Smith returned cloth damaged	25	0	0

Balance the Ledger Accounts and bring down the balances.

3. On June 30th, 1908, after the first twelve months trading, W. Boyce obtained from his books, etc., the following information :—

He had stock in hand on June 30th, 1908, £2,000. His purchases and wages had amounted to £15,000, and his sales to £16,500. He had paid or brought into account Rent, Rates and Taxes £753, Salaries £400, Travelling Expenses £300, Travellers' Commission £360, Trade Expenses £482, Carriage Outwards £150. Discounts allowed by him were £250, discounts received by him £225. After allowing £15 for depreciation, the Furniture, etc., was valued at £285. Private drawings amounted to £700, Book Debts due to him £4,000, Creditors (including bills payable), £2,500, Cash at bank and in hand £715.

Prepare the Trial Balance (bringing into account W. Boyce's capital at commencement, which is the sum required to complete the Trial Balance). Also prepare Trading and Profit and Loss Accounts and a Balance Sheet as on June 30th, 1908.

4. What is a contingent liability ? Give an example.

Exercise LXV.

LANCASHIRE AND CHESHIRE UNION OF INSTITUTES.

Preliminary Commercial Course (Second Year), 1909.

(TIME ALLOWED : 1¼ HOURS.)

1. Record the following transactions of John Johnson in the proper books, post to Ledger, and take out a Trial Balance :—

He started business on the 1st February, 1909, with cash in hand, £10 10s. ; cash in bank, £700 ; and goods on hand, £58 10s. A. Jones owed to him £41 3s. 8d., J. Hudson owed to him £37 6s. 4d., and he owed to

E. Taylor £28 10s. The transactions for the month were as follows:—

Feb.	1	Sold A. Jones, Goods ..				25	2	6
„	2	Paid E. Taylor by cheque ..	26	12	0			
		and he allowed discount ..	1	18	0			
						28	10	0
„	4	Received Cash from J. Hudson on account				10	0	0
„	8	Purchased Goods from E. Taylor				150	0	0
„	10	Received Cash from A. Jones, which amount is accepted in full settlement of his account				60	0	0
„	10	Paid Cash into Bank ..				75	0	0
„	11	Paid Sundry Expenses by Cash				4	17	6
„	15	John Johnson withdraws from the business by cheque ..				100	0	0
„	19	Paid E. Taylor by cheque on account				75	0	0
„	„	Received Cash from J. Hudson on account				20	0	0
„	28	Cash Sales during month paid into Bank				150	0	0
„	„	Paid Salaries by cheque ..				10	0	0

2. What do you understand by—

(*a*) A Credit Note?
(*b*) Discount?
(*c*) Nominal Accounts?

Exercise LXVI.

LANCASHIRE AND CHESHIRE UNION OF INSTITUTES, 1909.

Junior Grade.

(THREE HOURS ALLOWED.)

1. What is the use of the Journal? Give two examples illustrating the class of items which can be passed through the Journal.

2. What is meant by "Consignment Account?" Albert Jones sends to Jamaica, on consignment account, goods of the value of £600. He also pays for freight and insurance charges £22. What books would these entries be passed through and how?

3. What do you understand by a "Returns Book?" Make the ruling of such a book for a company who have a number of returns, and whose business is divided into the three following departments: Woollens, cottons, silks.

4. William Robinson owes to you for goods sold to him on 2nd July, 1908, £275 16s. On 6th July, 1908, he sends a bill for £125 due on the 1st October, 1908, and also cash on account of the balance, £62 17s. 6d. On the 1st October, 1908, he fails to meet his bill, and you pay for noting the dishonoured bill, 1s. 6d. On the 31st December, 1908, you receive from his Trustee in Bankruptcy a first and final dividend of 6s. 8d. in the £. Show William Robinson's ledger account in your books.

5. What is meant by: (*a*) Gross profit. (*b*) Net profit.

A man's turnover for the year ended the 31st October, 1908, is £12,500, his gross profit is £2,500, his net profit is £750.

What is the rate per cent. on the turnover for gross profit and also for net profit?

6. You supply Mr. Lloyd Asquith with goods of the value of £550, and he gives you in payment a bill of exchange due on the 1st January, 1909. On the 1st November, 1908, you discount the bill at the rate of 5 per cent. per annum. How much cash will you receive? and give the entry that you will make in your cash book on this date.

Part II.

7. On the 1st February, 1909, Henry Wood commenced business with the following assets: Cash in hand, £50 1s. 6d.; cash at bank, £864 7s. 6d.; stock-in-trade, £560. William Jones owes him £162 1s. 3d.; James Slater owes him £124 2s. 6d. His liabilities are: John Jackson, £400 2s. 9d.; A. Wilson, £103 15s.; Webster & Co., £156 15s.

The transactions for the month of February were as follows:

Feb.	1	Sold Goods to Wm. Jones	80	10	0
,,	2	Gave bill to A. Wilson at 3 months in settlement of his account	101	0	0
,,	3	Paid John Jackson on account (by cheque)	100	0	0
,,	4	Drew from Bank for petty cash	10	0	0
,,	5	Cash Sales	125	0	0
,,	6	Paid into Bank	150	0	0
,,	9	Bought of Webster & Co., Goods	250	0	0
,,	11	Received from Wm. Jones, bill at 4 months, in full settlement of his account.. ..	236	0	0

Feb.	12	Bought office furniture and fittings (by cheque	50	0	0
,,	13	Henry Wood withdraws from Bank, for private purposes	180	0	0
,,	,,	Paid out of petty cash, stamps, and sundry expenses	3	0	0
,,	15	Sold Goods to Jas. Slater	200	0	0
,,	17	Jas. Slater returns Goods as being inferior to sample	20	0	0
,,	19	Paid Webster & Co. by cheque £300, and received discount £7 10s.	307	10	0
,,	23	Paid John Jackson on account, by cheque £100, and received discount £5	105	0	0
,,	28	Received rent from sub-tenant	6	0	0
,,	,,	Drew cheque for wages .. .. .. and paid £57.	60	0	0
,,	,,	Rent *due* to landlord	36	0	0
,,	,,	Credit Capital with interest, £6 10s.			
,,	,,	Depreciate office furniture, £4.			

Enter the above items in the proper books, post to ledger, and take out trial balance.

Part III.

8. From the foregoing, close the accounts, bring down the balances, make out Profit and Loss Account and Balance Sheet. On the 28th February the stock amounted to £484 10s.

Exercise LXVII.

COUNTY COUNCIL OF THE WEST RIDING OF YORKSHIRE, 1909.

First Stage.

(THREE HOURS ALLOWED.)

1. Describe fully the use of a Sales Day Book.

2. Two traders, A and B, carry on the same kind of business. A has a set of books which are properly kept, whilst B keeps no books, but only has incomplete memoranda of a portion of his transactions. What will A's advantages be as compared with B at the end of a year's trading ?

3. What are the points which you would consider it necessary to watch if you were entrusted with the keeping of a Cash Book ?

4. On March 1st, 1909, Chas. Read commences business and borrows from his father, John Read, £250.

Mar. 1	He pays £200 into Commercial Bank			
,, ,,	He becomes tenant of a shop at £4 a month rent			
,, ,,	Paid Cash for Shop Fixtures, £20			
,, ,,	Paid to G. Ellis for Stock in shop by cheque	80	0	0
,, 2	Bought Goods from A. Reynolds	30	8	7
,, 4	Paid Plate Glass Insurance	0	10	6
,, ,,	Sold Goods to Beale & Co.	10	0	5
,, 5	,, Goods to Ashton & Mills	3	16	4
,, ,,	Paid for cleaning shop	3	10	0
,, 6	Receipts per shop-till for week	18	5	6
,, 7	Ashton & Mills return goods	0	2	6
,, 8	Paid to Bank	30	0	0
,, 11	Sold Goods to Beale & Co.	5	19	7
,, 12	Ashton & Mills pay cash (discount allowed 3s. 10d.)	3	10	0
,, 13	Receipts per shop-till for week	19	14	3
,, ,,	Paid self for Household Expenses	2	10	0
,, ,,	Paid Wages, 2 weeks	8	16	8
,, 15	Received cheque from Beale & Co., and paid into Bank (discount allowed 8s.) ..	15	12	0
,, ,,	Paid to Bank	15	0	0
,, ,,	Paid for Advertising	2	10	0
,, 16	Sold Goods to Beale & Co.	2	0	5
,, ,,	Bought Goods from A. Reynolds	5	4	9
,, 18	Paid Rates by cheque	4	13	3
,, ,,	Paid A. Reynolds cheque (discount 13s. 4d.)	35	0	0
,, 19	Sold Goods to Ashton & Mills	14	3	7
,, 20	Receipts per shop-till for week	27	6	4
,, ,,	Bought Goods from A. Reynolds	4	3	7
,, 24	Sold Goods to Beale & Co.	4	6	11
,, 27	Receipts per shop-till for week	18	9	2
,, ,,	Paid month's Rent	4	0	0
,, ,,	Paid self for Household Expenses	3	10	0
,, ,,	Sold Goods to Beale & Co.	1	18	4
,, ,,	Paid Wages, 2 weeks	11	0	0
,, 28	Goods returned by Beale & Co.	0	8	11
,, 29	Paid for Repairs to Premises	4	13	6

Enter in the proper books and prepare Trial Balance.

5. J. Rhodes has the following transactions with B. Sharp:

On Jan. 1st, 1909, Sharp owes Rhodes £15 8s. 6d. Rhodes sells goods to Sharp Jan. 28th £4 16s. 9d., Feb. 3rd £8 17s. 5d., Feb. 9th £5 12s. 11d., Mar. 4th £13 12s. 9d., Mar. 18th

£6 14s. 5d., Mar. 24th £3 11s. 9d. Sharp returns goods Feb. 6th £2 16s. 4d., Mar. 1st 17s. 11d. Rhodes buys goods from Sharp Jan. 16th £10 10s. 0d., Feb. 18th £14 15s. 9d., Mar. 25th £3 9s. 2d., and on Feb. 28th Rhodes returns goods £3 5s. 9d. Rhodes allows Sharp discount 5 % and Sharp allows Rhodes 2½ %. Make out an account showing how much Sharp owes net at March 31st.

Exercise LXVIII.

COUNTY COUNCIL OF THE WEST RIDING OF YORKSHIRE.

Second Stage.

(THREE HOURS ALLOWED.)

You are provided with paper ruled for the following books: Journal, Sales Day Book, Returns Inwards Book, Purchases Day Book, Returns Outwards Book, Cash Book, Sales Ledger, Bought Ledger, Impersonal Ledger, Private Ledger.

Messrs. William Abbott & James Berrys are coal, coke and lime merchants, trading as Messrs. Abbott & Berrys. On 1st February, 1909, their Assets and Liabilities were as follows:—

Horses, Carts, and Harness				184	10	0
Office Furniture				60	0	0
Stock—Coal	560	0	0			
,, Coke	320	0	0			
,, Lime	140	0	0			
				1020	0	0
Bill receivable (Bryde & Son, due 4th March, 1909				100	0	0
Sales Ledger balances—						
Bryde & Son..				65	10	0
Anderson & Co.				235	6	8
Bought Ledger balances—						
Anderson & Co.				118	3	4
Deepdown Colliery Co.				72	4	9
Bill payable (Deepdown Colliery Co., due 18th Feb., 1909)				240	0	0
Bank overdraft				169	11	3

The Capital in the business belongs to the partners in equal shares. The Partnership Agreement provides for interest on Capital at 5 % per annum, and for Wm. Abbott to have five-eighths of the profit, James Berrys three-eighths.

You are required to enter up and post the books for the two months, prepare Trial Balance, and close the books on 31st March, 1909, showing Balance Sheet. The Sales Day Book and Purchases Day Book are ruled to keep a separate record of coal, coke, and lime. Expenses are not entered in the books until payment is made. All cash received is paid to Bank on the following morning. The Cash Book is balanced monthly, and the totals of Sales, Purchases, Returns, and Discount are posted to the Impersonal Ledger monthly. The Stock is taken on 31st March, 1909, and is found to be :— Coal, £750 ; coke, £425 ; lime, £95.

The invoices sent out for goods sold were :—

Feb. 3	Thos. Speight & Co., Ltd., Birkenhead, coal	138	13	8
,, 8	Bryde & Son, Bristol, lime..	83	4	10
,, ,,	,, ,, ,, coke..	49	4	1
,, 17	Anderson & Co., York, coal	196	14	6
,, ,,	,, ,, ,, coke	73	4	9
Mar. 1	Bryde & Son, Bristol, lime..	6	2	4
,, 16	T. Speight & Co., Ltd., Birkenhead, coal..	539	1	8
,, ,,	,, ,, ,, ,, coke	196	4	1
,, ,,	,, ,, ,, ,, lime	44	16	7
,, 22	Anderson & Co., York, coke	64	3	10
,, ,,	,, ,, ,, coal	113	6	10

The Credit Notes sent out were :—

Feb. 10	Bryde & Son, Bristol, overcharge on lime sent 8th inst.	4	3	3
,, 20	Thos. Speight & Co., Ltd., error in invoice sent 3rd inst.	0	10	0

The Invoices received were :—

Feb. 10	Deepdown Colliery Co., coal	329	8	6
,, ,,	,, ,, ,, coke	134	3	2
,, 24	Anderson & Co., lime	43	11	4
Mar. 11	Deepdown Colliery Co., coal	798	4	6
,, ,,	,, ,, ,, coke	285	1	8
,, 26	Anderson & Co., lime	48	3	3

The Credit Notes received were :—

Mar. 13 Deepdown Colliery Co., allowance for short weight in coke sent 11th inst, £3 2s. 6d.

,, 28 Anderson & Co., overcharge on invoice dated 26th inst. £2 9s. 8d.

Cash received was :—

Feb.	10	Anderson & Co., cheque £114 4s. 6d. in settlement of accounts to 31st Jan., 1909; Sales Ledger Account subject to 1¼ % discount, £2 18s. 10d.; Bought Ledger Account net.
,,	,,	Bryde & Son, cheque, £63 17s. 3d.; discount, £1 12s. 9d.
Mar.	3	Bill receivable (Bryde & Son, due 4th March), £100 given to Bank.
,,	11	T. Speight & Co., Ltd., cheque, £134 14s. 7d.; discount, £3 9s. 1d.
,,	,,	Anderson & Co., cheque, £223 os. 5d., in settlement of account to 28th Feb., 1909; Sales Ledger Account subject to 1¼ % discount, £37s. 6d.; Bought Ledger Account net.
,,	29	Bryde & Son, cheque, £205 3s. 9d., being 1st and final dividend of 17s. 6d. in £ on account due.
,,	,,	Employers' Insurance Co., cheque, £4 3s. 6d., being refund of compensation already paid to one of the cartmen by the firm as wages whilst away from work owing to injuries received.

The cheques drawn were :—

Feb.	12	Deepdown Colliery Co., £68 12s. 6d.; discount, £3 12s. 3d.
,,	13	Selves, £25 (for Wages, £23 2s. 6d.; Trade Expenses, £1 17s. 6d.).
,,	18	Bill payable, £240, due this day advised at Bank.
,,	24	Midland Railway Co., £15 6s. 3d., for carriage outwards.
,,	27	Wm. Abbott, £20 withdrawal.
,,	,,	Jas. Berrys, £20 ,,
,,	,,	Nield & Son, £10 5s. od. for advertising.
,,	,,	Selves, £32 (for Wages, £23 12s. 6d.; Travelling Expenses, £5 4s od.; Trade Expenses, £3 3s. 6d.).
Mar.	5	Bank return Bryde & Son's acceptance £100 dishonoured, and charge 2s. for noting.
,,	10	Deepdown Colliery Co., £440 8s. 1d.; discount, £23 3s. 7d.
,,	12	Selves, £35 (for Wages, £24 19s. 6d.; Travelling Expenses, £5 18s. 2d.; Trade Expenses, £4 2s. 4d.).
,,	18	Wm. West, £35 for additional horse.
,,	26	Selves, £33 (for Wages, £23 4s. 3d.; Trade Expenses, £9 15s. 9d.).

Exercise LXIX.

MIDLAND COUNTIES UNION OF INSTITUTES.

Preliminary Commercial.

Part I. Compulsory.

(time allowed, one hour.)

On November 30th, 1908, the following Trial Balance contained the position of the affairs of Mr. John Mason from July 1st, 1908 :—

	Dr.			Cr.		
Cash in hand	10	13	4			
„ at Bank	120	16	8			
R. Jones	88	15	10			
Stock Account, July 1st, 1908 ..	1122	17	7			
Machinery and Plant	58	10	0			
W. Brown				75	12	6
Purchases	750	19	6			
Wages	210	10	6			
Rent	22	10	3			
Carriage	11	6	7			
Bad Debts Account (Dividend received)				5	10	6
Sales				1166	13	4
Capital Account, John Mason ..				1149	3	11
	2397	0	3	2397	0	3

The following were his transactions for the month:—

Dec. 2	Received by cheque of R. Jones allowing him discount				52	10	0
					1	6	3
„ 3	Paid into Bank				52	10	0
„ 6	Paid by cheque, W. Brown ..				71	17	6
	discount				3	15	0
„ 10	Sold goods for Cash				27	18	0
„ 15	Drew cheque for private % ..				10	0	0
„ „	Paid into Bank				27	18	0
„ 20	Drew cheque for office use ..				30	0	0
	Paid by Cash—Wages ..	10	15	0			
	Carriage ..	1	15	0			
	Petty Expenses	3	17	6	16	7	6
Dec. 31	Stock-in-Trade, £1,075 19s. 3d.						

Post the above into proper Books of account, and prepare Profit and Loss Account and Balance Sheet at 31st December, 1908.

Part II.

Two questions only are to be attempted.

1. What is meant by "pro formâ Invoice"? Under what circumstances is the term generally used?

2. On making up a Trial Balance the Dr. side is £10 more than the Cr. side. What class of error should you proceed to look for?

3. What is the meaning of "Contra A/c," "Bill of Lading," "A/c payee"?

4. What is meant by an analytical Purchases Day Book? Give a ruling of one with a few of the principal headings?

Exercise LXX.

MIDLAND COUNTIES UNION OF INSTITUTES.

Elementary.

Part I.—Compulsory.

On June 1st, 1908, the books of Mr. John Brown showed the following balances: Dr. Cash at Bank, £350 12s. 6d.; Cash in hand, £10 14s. 3d.; Stock-in-Trade, £1,003 14s. 8d.; Machinery and Plant, £250 18s. 9d.; Furniture and Fittings, £120 12s. 6d.; R. Jevons, £93 16s. 2d.; P. Thomas, £140 17s. 9d.

Cr. S. Tailby, £125 16s. 7d.; R. Adams, £202 10s. 0d.; Capital, £1,643 0s. 0d.

His transactions for the month were as follows:—

June	1	Bought of S. Tailby, 8 tons of iron at £6 1s. 3d. per ton				48	10	0
,,	2	Paid by cheque, S. Tailby	122	14	0			
		Discount ..	3	2	7			
						125	16	7
,,	4	Sold S. Tonks 3 rolls of zinc, at 25s.				3	15	0
,,	6	Sold P. Thomas 10 tons rails, at £14				140	0	0
,,	9	Received by cheque, Account R. Jevons	91	10	0			
		Discount ..	2	6	2			
						93	16	2
,,	10	Bought of S. Tailby 150 tons scrap iron, £4 10s. per ton				675	0	0
,,	11	Sold for cash 70 tons castings, £6 15s. per ton				472	10	0
,,	,,	Paid into Bank				564	0	0
,,	12	John Brown paid Private Account, W. Gregg, by cheque				15	10	0
,,	14	Received Account P. Thomas, cash	132	0	0			
		Discount ..	3	17	9			
		Allowance for defective goods	5	0	0			
						140	17	9
,,	15	Bought of R. Adams 80 tons pig iron, £10 per ton ..				800	0	0
,,	16	Paid by Cash, carriage on pig iron from Adams ..				5	6	8

June 19	Paid into Bank				132	0	0
,, ,,	Paid by cheque, Account R. Adams	197	8	9			
	Discount ..	5	1	3			
					202	10	0
,, 21	Sold to R. Jevons, 70 tons rails, at £14 10s. per ton				1015	0	0
,, 24	Paid Rent of Yard by cheque				10	15	0
,, 26	Received cheque, P. Thomas, and paid into Bank ..	133	0	0			
	Prompt cash discount	7	0	0			
					140	0	0
,, 28	Drew cheque for Office use				40	0	0
,, ,,	Paid by cash: Wages				18	10	0
,, ,,	Trade Expenses ..				5	0	0
,, ,,	Carriage				6	0	0
,, ,,	J. Brown, Private Account				15	0	0
,, 30	Stock in hand, £1142 16s. 8d.						

From the foregoing particulars, post the necessary accounts, and prepare Profit and Loss Account and Balance Sheet at 30th June, 1908.

PART II.

Four questions only are to be attempted. Answers are to be given briefly.

1. What is meant by the terms E. and O.E., B/L, Deed of Assignment and Consignee?

2. L. Brown paid T. Jones £40 2s. 6d. by cheque. Give the form of cheque.

3. What is the difference between Invoice and Statement of A/c? Give a form of the latter.

4. What is meant by pro formâ Invoice, and under what circumstances is it generally used?

5. What is a Debit Note, and in what does it differ from an Invoice?

6. What is the chief advantage in keeping a Purchases Day-Book and a Sales Day-Book instead of Journalising all purchases and sales?

EXERCISE LXXI.

Intermediate.

PART I.—COMPULSORY.

W. Smith is a Manchester warehouseman. On September 30th, 1908, his position was as follow:—

Assets. Cash Balance, £10 14s. 3d.; Cash at Bankers,

£2,003 16s. 7d.; Bills Receivable, £650 10s. 4d.; Horses and Carts, £540 17s. 6d.; Furniture, Fittings, and Fixtures, £370 19s. 6d. Stock:—

Heavy Goods Department (Wool and Linens) ..	3006	18	9
Fancy „ „ (Silk, Velvets, etc.) ..	1510	17	6

L. Stevens, £750 18s. 9d.; P. Tonks, £270 13s. 4d.; Balance due from Estate of Turner & Co., original debt, £350 17s. 2d.; one-half of which has already been written off to Bad Debt A/c.

Liabilities. Dreyfus & Co., £970 17s. 9d.; Rylands & Son, £1,189 16s. 4d.; Loan A/c, Mrs. J. Smith, £3,000 (bearing interest at the rate of 5 % per annum); Bills payable, £240 16s. 6d.; Capital, £3,890 4s. 6d.

Oct.	1	Repaid Mrs. J. Smith part of loan Account by cheque				1000	0	0
„	2	Bills Receivable (Thompson & Co.). Paid into Bank for collection ..				370	14	6
„	4	Sold to L. Stephens, Linen Goods				270	16	3
„	„	Sold to L. Stephens, Velvet Goods				75	9	8
„	5	Thompson & Co. being unable to meet the whole of their Bill due this day (£370 14s. 6d.), renewed part; giving them cheque for £150 to enable them to take up their Bill, and receiving fresh Bill for £150 15s. at 1 month. (Interest and Expenses, 15s.)						
„	6	Cash Sales, Heavy Dept.	170	18	9			
„	„	„ „ Fancy „	210	15	6			
„	„	Paid into Bank ..				381	14	3
„	8	Contracted with Dreyfus & Co. for 1,200 boxes of Velvet at £2 per box, to be delivered by them 100 boxes per month.						
„	10	Received of L. Stephens, cheque	350	0	0			
		Bill at 2 months ..	382	3	9			
		Discount	18	15	0			
						750	18	9

Oct.	10	Paid into Bank				350	0	0
,,	13	Cash Sales, Heavy Dept.	210	17	6			
,,	,,	,, ,, Fancy ,,	275	14	3			
,,	,,	Paid into Bank				486	11	9
,,	17	Bills payable due this day paid by Bank				240	16	6
,,	18	Paid Rylands & Co. by cheque	1165	18	10			
		Discount ..	23	17	6			
						1189	16	4
,,	19	Received first delivery of Velvet from Dreyfus & Co., 100 boxes.						
,,	20	Discounted Stevens' Bill with our Bank ..	382	3	9			
		Discounting ..	1	12	0			
,,	23	Received first and final Dividend of 5s. in the £ from the Trustees of Turner & Co.'s Estate				87	14	4
,,	,,	Paid into Bank ..				87	14	4
,,	29	Cash Sales, Heavy Dept.	315	6	8			
,,	,,	,, ,, Fancy ,,	427	0	6	742	7	2
,,	,,	Paid into Bank ..				742	7	2
,,	,,	Drew Cheque for Office use				150	0	0
,,	,,	Paid Wages				38	16	8
,,	,,	,, Carriage Account ..				22	6	9
,,	,,	,, Horse Keep and Carriage				12	18	3
,,	,,	,, W. Smith, Private Account				27	10	0
,,	,,	Credit Loan Account, Mrs. J. Smith, with 1 month interest.						
,,	,,	Stock. Heavy Dept. ..	2206	16	6			
,,	,,	,, Fancy ,, ..	928	16	6			

Draw out the Profit and Loss A/c and Balance Sheet.

Exercise LXXII.

Part II.

Five questions only are to be attempted. Answers are to be given briefly.

1. Give ruling of Bills Receivable Book and one specimen entry.

2. What is meant by Contra A/c, and how should the same be kept ?

3. What is meant by Renewing a Bill? How should you treat the following transaction: W. Jones renews T. Brown's Acceptance, £50?

(*a*) When W. Jones retains possession of Bill.
(*b*) When W. Jones has discounted the Bill with his Bankers.

4. What is meant by Consignee, Lien, Demurrage, Owner's Risk?

5. Explain the terms: F.O.B., Bill of Lading, C.I.F., Certificate of Origin.

6. What items are proper to a Trading A/c, and what class of items should be included in a P. and L. A/c?

7. What is meant by endorsing a cheque, and what signatures would Smith & Co.'s Bankers require upon a cheque in the following transaction?

W. Brown pays Smith & Co.'s A/c, £30, by cheque of W. Tonkins, drawn in favour of R. Harris.

Exercise LXXIII.

Advanced.

Part I. Compulsory.

G. Sykes and R. Simpson trade as the Simplex Manufacturing Co. The following was the Trial Balance of their books for the twelve months ending 31st December, 1908. Prepare Trading A/c, Profit and Loss A/c, and Balance Sheet.

Make the following Provisions and Reserves. Profits or Losses to be shared equally. Interest at 5 % on partners' Capital A/cs, ignoring Drawings. Transfer £75 from Purchases A/c, and £115 from Wages A/c to Additions to Plant; Depreciate Plant A/c 5 % off balance and 25 % off additions; Depreciate Furniture and Fittings A/c 5 %; add to Leasehold Premises Redemption A/c $2\frac{1}{2}$ % Interest on balance and Annual Instalment of £37 10s. 0d.; Reserve for Bad and Doubtful Debts 5 % on Debtors.

Before dividing profits, J. Smith, the Works Manager, is to receive a bonus on the net profits of 2 % up to £2,500, and $1\frac{1}{2}$ % on any profits over that amount.

TRIAL BALANCE.—December 31st, 1908.

	Dr.			Cr.		
G. Sykes, Capital Account, Jan. 1, 1908				8500	0	0
„ Drawings Account ..	1000	0	0			
R. Simpson, Capital Account, Jan. 1, 1908				6444	1	0
R. Simpson, Drawings Account ..	750	0	0			
Leasehold Premises	3270	10	6			
„ „ Redemption Account ..				675	0	0
Plant, Machinery, and Tools, Jan. 1, 1908	6012	11	8			
Plant, Machinery, and Tools, Additions during the year	252	17	4			
Furniture, Fittings, and Fixtures	873	14	6			
Cash Account	35	17	2			
Lloyd's Bank, Ltd., Current Account	1014	16	7			
Bills Receivable Account	1173	16	2			
Bills Payable Account				4573	19	10
Sales				38350	2	6
Purchases	22753	14	8			
Wages Account, Producers ..	7642	12	9			
„ „ Non-producers ..	1013	10	6			
Discounts received and allowed ..	1975	14	6	1162	8	10
Carriage and Freight	457	16	9			
Sundry Trade Expenses	282	12	8			
Ground Rent, Rates and Taxes ..	472	16	9			
Coal, Gas and Water, Works A/c ..	522	19	7			
„ „ „ Office A/c ..	89	17	1			
Bank Charges	54	13	9			
Creditors				5003	16	2
Debtors	9872	12	6			
Bad Debts Account				152	12	9
Repairs to Plant	63	18	10			
Stock Account, Jan. 1, 1908 ..	5274	16	10			
	64862	1	1	64862	1	1

Stock, December 31st, 1908, £6,378 12s. 6d.

Part II.

Five questions only are to be attempted. Answers are to be given briefly.

1. What are the rights and privileges of the holders of: Mortgage Debentures, Cumulative Preference Shares, Deferred Shares?

2. T. Brown purchased a second-hand Lathe for £25, which he used for some time; but subsequently purchased a more modern Lathe from Messrs. Sagar & Co., for £65, they agreeing to take the old Lathe in exchange in part payment, allowing for same £35. Show these entries in T. Brown's accounts.

3. How should a manufacturer arrange his trading account having regard to the checking of his costs accounts?

4. Messrs. Thompson & Co., of Canada, instruct P. Brown, of London, to draw upon them at sight in payment of account £57 10s. 0d. Give the form of the bill and describe how P. Brown would proceed to collect the same.

5. Explain the meaning of Receiver, Liquidator, Trustee, Deed of Assignment.

6. A firm keeps five Sales Ledgers. What rulings would be necessary in the Cash Book, Sales Day Books, and Returns Book to enable it to have each Ledger separately balanced, and what items would need Journalising to enable this to be systematically carried out?

7. The Reserve Fund of a Limited Company is invested in Consols, the market price of which varies from time to time. How would these fluctuations be dealt with in preparing their Balance Sheets?

Exercise LXXIV.

ROYAL SOCIETY OF ARTS EXAMINATIONS, 1910.

Stage I.—Elementary.

(THREE HOURS ALLOWED.)

1. Give three "business terms" and three "business abbreviations," and explain the meaning of each.

2. When goods are sent to a customer, what is said to be sent with them (or by an early post) recording the transaction? Give an example. How does this document differ from a "statement"?

3. On January 4th, 1909, John Brown purchased goods of Thomas Smith to the amount of £252 4s. 3d. On January 8th, Brown returned £51 2s. 5d. of these goods as being faulty, and sent Smith £50 on account. On January 15th,

Brown purchased of Smith £72 5s. 8d. of goods and paid him £60 on account. On January 31st, Smith sent Brown a statement showing the balance owing to Smith, and this Brown paid to him on February 1st. How much was this balance? Give a copy of Brown's account in Smith's Ledger recording the above transactions.

4. Explain the meaning of the word "Discount." In what books of a trader do the records of Discounts usually appear?

5. Write up a Bank Account recording the following transactions: December 1st, 1909, balance at my Bank £3,215 14s. 1d. December 2nd, drew cheque for self £25. December 4th, paid in £9,634 received from W. Porter. December 6th, drew cheque for T. Kerr £161 10s. 0d. December 6th, E. Milner paid into my Bank Account, £864. December 10th, drew cheque for J. Coleman £10,000. December 15th, drew cheque for Black & White £241 6s. 3d. December 24th, drew cheque £50 for rent, and paid into Bank £91 6s. 8d. received from H. Jackson. December 31st, drew cheque £25 for self. Paid into Bank £51 received from Duff Bros. Interest allowed on the account by the Bank £18 9s. 3d., and commission charged £1 2s. 3d. Balance the account and bring down the balance.

James Cripps started business as a Coal Merchant on July 1st, 1909, paying (as his Capital) to his Bankers £250; purchasing, for £50, a horse and van from Timothy Toogood, and 60 tons of coal at 11s. 6d. from the Stiff Colliery Co., Ltd., which were duly delivered.

On July 2nd, he sold 15 cwt. of coal at 1s. per cwt. for cash.

On July 3rd, he sold 12 cwt. of coal at 11d. per cwt. for cash, and 5 tons at 19s. a ton to Miss Graham on credit. He paid the Stiff Colliery Co., Ltd. (by cheque), £25 on account, and drew a cheque for £1 for Petty Cash.

On July 4th, he sold 14 cwt. of coal at 1s. 1d. per cwt. for cash, and 2 tons at 19s. 6d. a ton to Mrs. Smith on credit. He received and paid into his Bank a cheque from Miss Graham, in payment of her account, less 10s. allowed for short weight.

On July 5th, he sold 20 tons of coal at 18s. 6d. a ton to A. Evans and received from him £10 on account, which he

paid into his Bank. He sent the Stiff Colliery Co., Ltd., a cheque in settlement of their account, less $2\frac{1}{2}$ % discount.

On July 6th, he paid Timothy Toogood £50 by cheque.

Open Ledger Accounts and post the above transactions *direct* thereto. Balance the accounts, and bring down the balances.

Exercise LXXV.

ROYAL SOCIETY OF ARTS EXAMINATIONS, 1910.

Stage II.—Intermediate.

(THREE HOURS ALLOWED.)

ONLY ONE *question to be answered, but* BOTH *exercises to be worked.*

1. State what is meant by the terms (*a*) "Nominal Accounts" and (*b*) "Personal Accounts." What is the name of the class to which Accounts other than the foregoing may be said to belong? Give an example of each (containing three debit and three credit entries).

2. How would you construct a "Trial Balance"? Give two examples of errors which might occur in "writing up" a set of books, without affecting the agreement of the Trial Balance.

Exercise I.

A. Day and B. Comet were in partnership as Engineers and Founders, and, on December 31st, 1909, their assets were as follows:—

Stock-in-Trade				1342	0	0
Furniture and Fittings..				264	0	0
Plant and Machinery				1547	0	0
Cash at Bank				305	0	0
,, in hand				8	0	0
Bills receivable—						
The Gas Engine Co. (due Jan. 4th) ..	142	0	0			
J. Smith & Co. (due Jan. 8th) ..	74	0	0			
				216	0	0
Owing by—						
J. Smith & Co.	172	0	0			
The Gas Engine Co.	22	0	0			
W. Owen	177	0	0			
J. Jones & Sons	285	0	0			
R. Black	162	0	0	818	0	0
				4500	0	0

Their liabilities on the same day were:—

Due to—							
Roberts Bros.			311	0	0		
W. Brown, Son & Co.			140	0	0		
Robinson & Co.			113	0	0		
J. Green & Son.			156	0	0		
						720	0	0
Bills Payable—							
J. Green & Son (due Jan. 6th)			100	0	0		
Roberts Bros. (due Feb. 1st)			169	0	0		
						269	0	0
A. Day, Loan Account						500	0	0
,, Interest Account						11	0	0
						1500	0	0

Day and Comet were equal partners, and each had the same amount of Capital invested in the business.

Open the Ledger Accounts, showing the position of the firm as on December 31st, 1909, and pass to it, through the proper books, the following transactions:—

1910		
Jan.	1	Drew and cashed cheque for petty cash and wages, £15.
,,	,,	Paid wages in cash, £16.
,,	,,	Paid each partner his week's salary of £3 in cash.
,,	3	W. Owen paid his account, less 2½ % discount, and gave an order for a machine to cost £75.
,,	,,	Bought of Robinson & Co., 6 tons of pig iron at 51s. 2d. per ton.
,,	4	The Gas Engine Co.'s Bill became due, but was not met. A new Bill was given at one month for the whole of their account.
,,	,,	Paid Robinson & Co. the amount of their account as on December 31st, less 2½ % discount, after taking into consideration an allowance of £5 for imperfect goods supplied.
,,	5	J. Jones & Sons paid £100 on account.
,,	,,	Bought of J. Green & Son 5 cwt. of sheet copper at £78 per ton.
Jan.	6	Sold R. Black 1 ton of pig iron at 56s. a ton, and charged him in addition 10s. for cartage.
,,	,,	J. Green & Son's Bill became due and was duly met.
,,	7	Sold J. Jones & Sons 3 cutting machines at £24 each.
,,	,,	Sold J. Smith & Co. 2 cwt. of sheet copper at £83 a ton.
,,	,,	Paid by cheque the amount due (on December 31st, 1909) to A. Day for interest.

Jan.	7	Bought for Cash 12 gallons of oil at 1s. 3d. per gallon.
,,	8	Paid wages £13, a cheque for this amount being drawn and cashed for the purpose.
,,	,,	Paid each partner his week's salary by cheque.
,,	,,	J. Smith & Co.'s Bill became due and was duly met.
,,	10	Bought of Roberts Bros. 10 tons of coal at 12s. a ton, and paid them (by cheque) £150 on account.
,,	,,	Sundry Cash Sales to date £31, this amount being paid into bank this day.
,,	,,	Drew and cashed cheque of £5 for Petty Cash purposes.
,,	,,	Accepted W. Brown, Son & Co.'s Bill for £140 at three months.

All moneys received were at once paid into the bank. Balance the Ledger Accounts as on January 10th, 1910; bring down the balances, and extract a Trial Balance.

N.B.—*No Profit and Loss Account or Balance Sheet to be prepared.*

Exercise II.

The Brown Box Co., Ltd., was registered with a nominal Capital of £10,000, divided into 5,000 ordinary shares of £1 each and 5,000 6 % preference shares of £1 each. From the following Trial Balance, extracted from the books of the Company, prepare a Trading Account and a Profit and Loss Account for the year ended December 31st, 1909, and a Balance Sheet as on that date:—

TRIAL BALANCE.

	Dr.			Cr.		
Ordinary Share Capital				4800	0	0
Preference Share Capital				3000	0	0
Freehold Land and Buildings ..	3700	0	0			
Furniture and Fixtures	946	6	10			
Stock (December 31st, 1908) ..	1929	14	7			
Plant and Machinery	1727	10	2			
Rates and Taxes	87	14	1			
Carriage	422	4	8			
Trade Expenses	39	1	1			
Lighting and Heating Expenses ..	72	2	6			
General Expenses	127	16	10			
Discount Account (balance) ..				13	2	0
Preference Share Dividend (paid during the year)	171	0	0			
Carried forward ..	9223	10	9	7813	2	0

Brought forward	9223	10	9	7813	2	0
Ordinary Share Dividend (paid during the year	114	0	0			
Bad Debt Reserve (as on Dec. 31st, 1908)				188	14	8
Manufacturing Wages	2014	1	9			
Salaries	505	14	8			
Sales				10124	14	2
,, Returns	101	2	10			
Insurance	39	1	2			
Directors' Fees	50	0	0			
Purchases	4129	16	8			
,, Returns				94	12	4
Sundry Debtors	3764	17	10			
,, Creditors				2144	5	1
Profit and Loss Account (balance Dec. 31st, 1908)				472	7	2
Bank Charges	10	2	1			
Cash at Bank	822	5	7			
,, in hand	63	2	1			
	20837	15	5	20837	15	5

Before preparing the Accounts (as above required), the following adjustments are necessary:—

(1) Charge Depreciation on Land and Buildings at 2½ % per ann.
(2) ,, ,, Furniture and Fixtures at 5 % per ann.
(3) ,, ,, Plant and Machinery at 10 % per ann.
(4) Make the Bad Debts reserve up to £400.
(5) Carry forward the following unexpired amounts:—
(*a*) Insurance 9 7 6
(*b*) Rates and Taxes 17 8 2

The value of the Stock on December 31st, 1909, was certified by the Managing Director at £1,721 17s. 3d.

Exercise LXXVI.

LANCASHIRE AND CHESHIRE UNION OF INSTITUTES.

Junior Grade.

You must first attempt not more than FOUR *of the questions in Part I, and afterwards attempt the statements of account in Parts II and III of this grade.*

Part I.

1. What do you understand by an "Inward Invoice"? Into what book would it be entered and to which side of a

personal account in the ledger would the amount be posted ? How would it be dealt with for easy reference ?

2. What is the difference between "bankers' discount" and "true discount" ? You discount with your banker a bill of exchange at three months for £200, the bank rate being 4 %. What amount would your banker charge for discounting such bill ?

3. Who are the parties to a bill of exchange ? Make out a bill of exchange, showing the amount of stamp duty, drawn by K. Hindley on J. Thompson for £312 9s. 6d., dated 5th March, 1909, at three months' date. Show also the acceptance and endorsement of such bill.

4. On the 1st January, 1910, John Mason supplies you with goods amounting to £200. His terms are 5 % discount if you pay cash on the 31st January, or net if you pay by a six months' bill dated from the 1st January. Which method would you adopt in paying Mason's account, assuming that on the 1st January, 1910, you had £400 in the bank on which interest was being earned at 3 % per annum ? Give reasons for your answer.

5. Define the following terms :—

(*a*) Capital expenditure.
(*b*) Revenue account.
(*c*) Depreciation.
(*d*) Mortgage.

6. In taking out the balances of your books you find that your book-keeper has made the following errors :—

£25 paid for office furniture has been debited to "Trade expenses account."

Invoice for £23 for goods purchased has not been passed through books, although the goods are included in the stocktaking.

How would you rectify these errors ?

Part II.

7. On the 1st December, 1909, the balances in Joseph Penn's books stood as follows : Cash in hand, £20 18s. 3d. ; cash at bank, £123 4s. 2d. ; stock-in-trade, £517 8s. ; fixtures and fittings, £82 3s. There is owing to him by L. Max, £35 ; by Williams & Son, £26 10s. 7d. ; and by Kay & Co., £5 9s. He owes to H. Simpson £408 10s., and to H. Taylor £302 3s.

His transactions for the month were as follows:—

Dec.	1	Borrowed from W. Sykes on loan				100	0	0
,,	2	Bought goods from H. Simpson for cash	23	12	8			
,,	,,	And for credit	55	6	2			
						78	18	10
,,	4	Paid into Bank				90	0	0
,,	5	Received Bill of Exchange at 6 months in payment of L. Max's account ..				35	0	0
,,	6	Sold to Williams & Son, Goods				87	10	0
,,	,,	,, Goods for Cash ..				12	0	0
,,	8	Paid H. Simpson on account by cheque..	200	0	0			
,,	,,	And received discount ..	10	0	0			
						210	0	0
,,	9	Received from Williams & Son cheque on account, which was paid into bank same day	50	0	0			
,,	,,	And allowed them discount	2	10	0			
						52	10	0
,,	10	Received Credit Note from H. Taylor for Goods returned				38	2	8
,,	11	Sold Goods to H. Taylor ..				100	1	6
,,	12	Drew Cheque for petty cash				10	0	0
,,	13	Bought stamps out of petty cash				3	10	0
,,	15	Bought of William Smith, Goods				93	1	6
,,	18	Repaid W. Sykes by Cheque, being £50 part repayment of loan, and £1 interest to December 31st				51	0	0
,,	20	Received from Kay & Co. in settlement of their account				5	2	0
,,	22	Received notice from Official Receiver that L. Max has been made bankrupt and has no assets.						

Dec. 23	Paid Salaries out of Cash ..			8	0	0
„ 28	Paid Carriage out of petty cash			0	18	6
„ 31	Railway Accounts *due* but not paid			5	8	0
„ „	John Mason withdraws for private purposes ..			15	0	0
„ „	Credit capital with interest : £2					
„ „	Depreciate fixtures and fittings : £2 3s.					

Enter the above items in the proper books, post to Ledger, and take out Trial Balance.

Part III.

8. From the foregoing, close the accounts, bring down the balances, make out Profit and Loss Account and Balance sheet. On the 31st December, 1909, the Stock amounted to £480 2s. 10d.

Exercise LXXVII.

THE LONDON CHAMBER OF COMMERCE
(Incorporated).

Examination for Junior Commercial Certificate, 1910.

1. On July 1st, 1909, George Field, who then commenced business as a merchant, borrowed, free of interest, from B. Tree, the sum of £750 in cash, with which sum he on the same day opened an account with the London Banking Co., from whom he received a cheque book, containing sixty cheques.

During the month of July, George Field's transactions appeared from his books to be as follows:—

July 2	Drew from Bank for Petty Cash	10	0	0
„ „	Purchased from A. Smith, Goods	750	0	0
„ 4	Sold to B. Tree, Goods	375	0	0
„ 8	Purchased from A. Smith, Goods ..	1500	0	0
„ „	A. Smith drew on George Field at three months for the sum of	1125	0	0
„ 10	Sold to B. Tree, Goods	900	0	0
„ 11	Drew from Bank for Petty cash	22	10	0

July	13	B. Tree paid by Cheque	525	0	0
,,	14	Consigned to G. Tom, of Paris, on own account and risk, Goods valued at ..	750	0	0
,,	18	Purchased from A. Smith, Goods ..	1050	0	0
,,	,,	Drew from Bank for Petty Cash	22	10	0
,,	21	Sold Goods for Cash, which sum was paid into Bank on the same day	20	0	0
,,	23	Sold Goods to B. Tree, £450, and drew on him at 3 months from this date for a like amount	450	0	0
,,	24	Repaid by Cheque, £81 15s. 0d. standing at debit of an account in George Field's name with the City Banking Co. ..	81	15	0
,,	,,	Returned to A. Smith soiled Goods invoiced at	75	0	0
,,	25	Drew from Bank for Petty Cash	22	10	0
,,	,,	Paid A. Smith by cheque	750	0	0
,,	27	Discounted with the London Banking Co. Bill receivable, £450, and was charged for discount	5	10	0
,,	31	Received from G. Tom, Account Sales of consignment, together with draft on Abel & Co. for net proceeds, £825. Paid draft into Bank	825	0	0
,,	,,	Paid A. Smith by Cheque	750	0	0
,,	,,	Received from B. Tree invoice for agreed price of Office Furniture and Fixtures, £75, which sum was placed to the credit of B. Tree's account	75	0	0
,,	,,	Sold B. Tree, Goods	525	0	0

The Summary of Petty Cash payments for the month was :—

Salaries	20	0	0
Trade Expenses	21	10	0
Fire Insurance paid on July 8th	6	0	0
Personal Drawings	25	0	0

Stock on hand, July 31st, was valued at £400.

Outstanding liabilities not yet brought into account were :—

Printing and Stationery	22	10	0
Office Repairs	7	10	0

Accrued liabilities were :—

Gas	2	0	0

Rent, 1 month at £300 per annum.

Pass the entries through the usual books of account, take out Trial Balance and prepare Trading Account, Profit and Loss Account, and Balance Sheet as on July 31st, 1909.

2. State the errors, if any, which appear in the following Trial Balance made out by a merchant's clerk for the year ended December 31st, 1909.

Capital Account				2000	0	0
Sundry Debtors	1000	0	0			
,, Creditors				800	0	0
Goods Account				1250	0	0
Trade Expenses, Rent, etc.	500	0	0			
Salaries and Wages	300	0	0			
Goodwill				500	0	0
Bank overdraft	500	0	0			
Furniture and Fixtures	200	0	0			
Drawings Account	450	0	0			
Leasehold Premises, valued at Jan. 1st, 1909	1600	0	0			
	4550	0	0	4550	0	0

3. What are the principal books of account in a merchant's office? State very briefly their uses.

4. What do you understand by "reconciliation of bank balance"? What is the procedure to effect it?

Exercise LXXVIII.

THE MIDLAND COUNTIES UNION OF EDUCATIONAL INSTITUTIONS, 1910.

Elementary.

Part I. Compulsory.

Mr. F. Connor's books disclosed the following Assets and Liabilities on the 30th June, 1909:—

Cash in hand	74	9	6			
,, at London and City Bank ..	477	19	2			
C. Porter Dr.	35	9	4			
H. Willis, Dr.	24	17	2			
C. W. Harrison, Dr.	10	17	3			
Stock on hand	500	6	0			
J. Berry				54	17	2
P. White				21	18	0
R. Spencer				14	15	7
Hy. Smithson				64	9	6
Capital				967	18	2
	1123	18	5	1123	18	5

Open the books by a Journal entry, enter up and post the following, after which make out a Trial Balance, a Profit and Loss Account, and a Balance Sheet, as at 31st July, 1909.

Note: Candidates may (a) write up and balance the Cash Book, and journalise the remaining transactions or (b) journalise all the transactions.

1909				
July 1	Paid Cheque to J. Berry in settlement of his account	53	10	0
,, 3	Sold Goods to D. Kemp	67	14	0
,, ,,	Received Cash from H. Willis	23	18	6
	Allowed discount	0	18	8
,, 5	Paid H. Smithson cheque	62	17	3
	Discount	1	12	3
,, 7	Sent C. Porter credit note for Goods soiled	1	18	6
,, 10	Purchased from R. Spencer, Goods	43	19	7
,, 11	Paid Cheque to R. Spencer	14	8	0
	Was allowed discount	0	7	7
,, 13	Lent to C. Scotson, cheque	25	0	0
,, 14	C. Porter, paid on account	20	0	0
,, 17	C. W. Harrison, paid in settlement	10	10	0
,, 18	Sold to H. Willis, Goods	38	19	5
,, 20	Paid Rent	25	0	0
,, 21	C. Porter, bought Goods	43	17	0
,, 22	Cash received from D. Kemp	50	0	0
,, 22	Paid into London and City Bank	120	0	0
,, 23	Received Cash from C. Porter	13	10	10
,, 27	Sent Cheque to R. Spencer	50	0	0
	Discount	2	4	0
,, 30	Sales for Cash for the month	47	10	0
,, 31	Sundry Trade Expenses (cash)	7	16	0
,, ,,	Wages paid for the month (cash)	25	0	0
,, ,,	Stock of Goods on hand	413	10	0

PART II.

Four questions only are to be attempted. Answers are to be given briefly.

1. Give the meanings of the following: %, %, IOU, folio, consign.

2. What stamp is required on an IOU?

3. Write out a receipt for £3 14s. 7d. as if F. Connor received it from C. Sharpe on 30th December, 1909.

4. It is proposed to charge C. Scotson £1 5s. 0d. for interest on the loan made 13th July, in Part I. Show the entry you would make to charge him.

5. What is a Balance Sheet?

6. What do you understand by a "Crossed Cheque"?

Exercise LXXIX.

THE MIDLAND COUNTIES UNION OF EDUCATIONAL INSTITUTIONS, 1910.

Intermediate.

Part I. Compulsory.

Charles Peters & Co., Oil Merchants, on 31st March, 1909, found their balances as follows:—

Cash in hand	27	14	0
,, at London, County & Westminster Bank, Ltd.	275	5	6
Fixtures and Fittings, valued at	58	0	0
Property, valued at	1550	0	0
Walker & Co., Dr.	95	17	0
A. McDonald, ,,	29	19	7
A. Parkinson, ,,	14	17	7
H. Byers, Cr.	89	5	6
D. Lyons, ,,	77	4	8
Bills Receivable (Nos. 33/35)	342	16	0
,, Payable (Nos. 89/93)	395	10	0
Stock of Oils	675	15	0
,, of Bottles and Drums	38	7	0
C. Peters, Capital	1697	14	4
H. Peters, ,,	848	17	2

1909				
April 1	Discounted at Bank, B/R No. 34, £100 proceeds	98	10	0
,, 2	Sold Linseed Oil to H. Brooks	59	14	0
,, 3	,, portion of Property consisting of three Houses valued in account at £770, and received cash which was paid into Bank	900	0	0
,, 4	Paid half legal expenses on Sale of Property as agreed (cash)	10	0	0
,, 5	B. Whittaker bought Sperm Oil, charged him	37	5	0
,, ,,	Bank retired firm's Bill, No. 89	120	10	0
,, 6	Received from A. Parkinson	14	7	7
,, 8	Purchased Petroleum from R. Conway	140	0	0
,, 9	Accepted R. Conway's draft at 2 m/d less 2½ % in payment of above	136	10	0
,, 10	McDonald asked for his acceptance to be renewed—No. 35, £96, which would become due on the 17th inst.: returned No. 35 and received new acceptance, No. 36, at 3 m/d with interest added	97	5	0
,, 13	Sold to A. Parkinson, Colza Oil	54	16	6
,, 14	Paid D. Lyons, Cheque	75	6	0
	Discount	1	18	8
,, 15	Received of Walker & Co.	45	17	0
,, ,,	,, ,, ,, Acceptance 2 m/s	50	0	0

April 16	Sold Walker & Co., Engine Oil	135	14	0
,, 17	Received Payment of Bill No. 33 before maturity	145	11	7
	Discount allowed	1	4	5
,, ,,	Paid into Bank	250	0	0
,, 19	Bank returned Walker & Co.'s cheque unpaid	45	17	0
,, 21	Purchased Bottles and Drums, cheque ..	14	18	0
,, 24	The firm's acceptance No. 90 paid by Bank	81	0	0
,, 26	Paid for General Repairs, cheque	5	17	0
,, 28	Received Cash from Walker & Co. ..	30	0	0
,, 31	Sundry Cash Sales for the month	128	16	0
,, ,,	Paid Wages, cash	42	0	0
,, ,,	,, Sundry General Expenses, cash ..	14	7	6
,, ,,	Stock of Oils	539	10	0
,, ,,	,, Drums and Bottles	21	15	0

After crediting the partners with interest at the rate of 5 % per annum on their capital, divide the profit in proportion to the amount of capital held by each. Prepare a Trial Balance, Profit and Loss Account, and Balance Sheet.

Part II.

Four questions only are to be attempted. Answers are to be given briefly.

1. What do you understand by Tare, *Ad Valorem*, Voucher ?
2. Explain the difference between bullion and specie.
3. What is legal tender in this country ?
4. State the amount of stamp duty necessary on B/E for the following : £20 at 3 m/d, £57 at 1 m/d, £140 on demand, £101 at 14 d/d.
5. Explain the terms Barratry and Jettison.
6. Make out a promissory note for £39 16s. 0d. as from Thos. Hawke in favour of Harry Moss, dated 30th June, 1909, for 3 m/d, and state when it will be (*a*) nominally, (*b*) actually due.

Exercise LXXX.

NATIONAL UNION OF TEACHERS EXAMINATIONS, 1910.

Elementary.

You may answer ALL *the questions.*

1. If you were a clerk in an office, and somebody brought you the Purchases Book and told you to post it, describe fully what you would do.

2. John Baker, merchant, had cash in hand £100 and goods on hand £200. His creditors were: B. Black, £130; G. Green, £250; W. White, £120. His debtors were: B. Bray, £50, and M. May, £80. Make out a Balance Sheet and say what it tells you about the state of his business.

3. Open a Ledger Account for Geo. Scott. Debit him with balance £20. Charge him £1 interest. Credit him with cash £15 and goods £20. Debit him with goods £40, and charge him £2 carriage. Balance his account, bring down the balance, and say whether he or you must pay it.

Exercise.

On January 1st, 1910, the state of George German's business was as follows: Cash in hand, £420; Goods on hand, £510. Debtors: A. Ayres, £120; B. Baird, £75; C. Cass, £250. Creditors: D. Dan, £145, and E. Euston, £55.

You are requested to find and credit his capital. Then enter the transactions given below in suitable books, post them to the ledger, draw out a Trial Balance, balance accounts, and make out a Profit and Loss Account and Balance Sheet.

1910								
Jan. 1	Received Cash of A. Ayres ..				104	12	6
	Wrote off his Balance as Bad Debt				15	7	6
„ 2	Received Cash of C. Cass ..	147	17	6			
	Allowed him Discount ..	2	2	6			
					150	0	0
„ 3	Paid for Stationery				2	13	4
„ 4	Cash Sales				95	4	6
„ 5	„ Purchases				85	3	4
„ 6	Sold Goods to C. Cass ..				145	10	4
„ 8	Paid Wages				7	15	6
„ 10	Purchased Goods of D. Dan				75	10	8
„ 11	Received Cash for a Bad Debt previously written off				25	5	0
„ 12	Paid for Painting Premises ..				10	3	6
„ 13	Drew Cash for Self				15	0	0
„ 14	Charge B. Baird interest on his overdue Account				1	1	6
„ 15	C. Cass paid me Cash ..	98	13	4			
	And was allowed Discount	1	6	8			
					100	0	0
„ 17	Cash paid to D. Dan.. ..	107	12	9			
	Discount in addition ..	2	7	3			
					110	0	0

Jan.	18	Sales to C. Cass				47	15	2
,,	19	E. Euston bought Goods ..				32	10	9
,,	20	Received Cash of B. Baird ..				76	1	6
,,	21	F. France sold me Goods ..				160	7	6
,,	22	Paid E. Euston Cash.. ..	20	10	0			
		Discount in addition ..	1	19	3			
						22	9	3
,,	,,	Paid Wages				7	15	6
,,	24	Sales to B. Baird				110	10	8
,,	25	Paid D. Dan Cash	33	18	6			
		Discount in addition ..	1	1	6			
						35	0	0
,,	26	Bought Goods of E. Euston				130	15	6
,,	27	B. Baird purchased Goods ..				34	9	4
,,	28	Paid F. France Cash.. ..	58	10	0			
		He allowed Discount ..	1	10	0			
						60	0	0
,,	29	Paid Salaries				32	17	6
,,	31	Interest on Capital				5	0	0
,,	,,	Goods on hand				482	13	9

EXERCISE LXXXI.

Intermediate.

You may answer ALL *the questions.*

1. Briefly explain: Assignee, Consignee, Drawee, Lessee, Mortgagee, Payee.

2. In the Exercise below, R. Roberts forwards an Account Sales to the consignor on January 17th. Write out the document in proper form, and specify the various items which might compose the charges incurred on January 13th.

3. Set out a suitable ruling for a Bills Receivable Book, and enter therein from the Exercise below the bills received on January 11th and 18th.

On January 1st, 1910, the affairs of Vivian Grey stood as follows:—

Cash in Office, £120; Bank Overdraft, £1,200; Goods on hand, £1,500 10s.; Freehold Premises, £7,800; Machinery and Plant, £2,000; Bills Receivable, Nos. 10, 11, £450; Debtors: P. Pain, £240 15s.; Q. Quick, £410 5s.; R. Roberts, £320 10s.; Creditors: S. Saul, £290 15s.; T. Turk, £81 5s.; Bills Payable, Nos. 20, 21, £270.

His transactions for the month are given below. You are requested to enter them in the proper books, post them to the Ledger, and make out a Trial Balance, Profit and Loss Account, and Balance Sheet. All payments, unless otherwise stated, are made by cheque; all receipts are paid into the bank same day.

1910					
Jan.	1	Consigned to R. Roberts, to be sold on my account and risk, goods invoiced at ..	400	0	0
,,	,,	Paid Freight £12, and Insurance £8, on the above from Office Cash	20	0	0
,,	3	Drew on R. Robert, at 3 months for £200 as an advance on the above consignment ..			
,,	4	Discounted the above draft on R. Roberts with the bank for	197	0	0
,,	,,	Returned Goods to S. Saul	40	15	0
,,	5	Received P. Pain's cheque	237	10	0
		Discount allowed in addition	3	5	0
,,	6	Received Payment of Bill No. 10, £250 cheque	249	0	0
		Rebate allowed	1	0	0
,,	,,	Paid S. Saul cheque	247	12	6
		Discount in addition	2	7	6
,,	7	Paid Wages	60	0	0
,,	,,	Cash Purchases	185	10	0
,,	8	Received cheque from R. Roberts	120	10	0
,,	,,	Received a Consignment of Goods to be sold for the account and risk of T. Turk, invoiced at	600	0	0
,,	,,	Paid Charges on the same from Office Cash	20	0	0
,,	10	Gave a customer Office Cash for a cheque	10	10	0
,,	11	Bought Goods of S. Saul	120	10	6
		Received R. Roberts' acceptance	200	0	0
,,	12	Cash Sales	275	12	6
,,	13	R. Roberts informs us that he has sold the Goods consigned to him for	500	0	0
,,	,,	And that the Charges amount to	30	0	0
,,	14	Cash received for Work done	25	2	6
,,	15	Discounted B.R. No. 11, £200 with the bank for	198	10	0
,,	17	Received Account Sales from R. Roberts and Sight Draft for	270	0	0
,,	18	Sold Goods to P. Pain for his acceptance at one month	290	3	6
,,	19	Bought Goods of S. Saul	230	17	6
,,	,,	Gave him our acceptance at 2 months ..	120	10	6
,,	20	Received Bill from Q. Quick	210	5	0
,,	,,	Purchased Additional Machinery for Cheque	200	0	0

Jan. 21	Paid Wages	60	0	0
,, ,,	Vivian Grey's Drawings	30	0	0
,, 22	Charge Q. Quick for Work done for him ..	75	17	6
,, ,,	Paid for Repairs to Machinery—Office Cash	16	5	0
,, 24	Paid Bill Payable No. 20	120	0	0
,, ,,	Sales to P. Pain	190	7	6
,, 25	,, to Q. Quick	384	2	6
,, 26	Sold T. Turk's Consignment for Cash ..	760	0	0
	Our Commission on the above ..	15	0	0
,, ,,	Posted Account Sales and Cheque to T. Turk for net proceeds			
,, 29	Paid Salaries	55	0	0
,, ,,	Sold Goods to R. Roberts	250	15	6
,, 31	Depreciation of Premises	15	0	0
,, ,,	,, Machinery and Plant ..	20	0	0
,, ,,	Interest on Capital	45	0	0
,, ,,	Stock on hand	402	4	0

Exercise LXXXII.

ROYAL SOCIETY OF ARTS, 1911.

Elementary (Stage I).

(THREE HOURS ALLOWED.)

1. Explain the meaning of the following terms and abbreviations: Gross Profit, Solvency, Drawings, B/E, f.o.r., dis.

2. The cheque set out hereunder was sent to Messrs. James Colston & Co. by post:—

No. D. 39654. London, *January 20th*, 1911.
Lloyds Bank, Limited.

Pay Messrs. Colston & Co.....or Order,
Twenty-eight pounds ten shillings and sixpence.
£28 10s. 6d. *Robert Radford & Co.*

What are cheques of this kind called?

How could R. Radford & Co. have made the cheque more difficult to cash in the event of its being stolen? and explain why.

Who are the payees of the cheque, and who are the drawers?

3. Sketch the "three column" Cash Book of George

Griffiths, write in it the following particulars, and balance it as on January 7th, 1911 :—

1911		
Jan.	2	Balance at this date—Cash in hand, £4 18s. 6d. ; cash at the bank, £348 12s. 10d.
,,	3	Drew from the Bank for Office Cash, £30.
,,	4	Paid Great Eastern Railway, in cash, £1 12s. 6d.
,,	,,	Paid Peter Jones, by cheque, £28 4s. 1d., after deducting £1 15s. 11d. discount.
,,	5	Received from B. Gregory & Co., Ltd., cheque, in settlement of their account (less 15s. 6d. discount), which was paid into the bank, £49 4s. 6d.
,,	6	Paid from Office Cash, wages, £8 12s. 6d.
,,	,,	Cashed cheque, £12, for James Brown, a customer, and paid the same into the bank.
,,	7	Received in cash from B. Bolton, £1 2s. 6d.

4. Henry Holcombe & Co. purchased four bales of Oxford shirtings from Charles Cobourne, of Bradford, on February 2nd, 1911, at £16 per bale. On the delivery of these goods, one bale was found to be damaged ; it was, therefore, returned to C. Cobourne on February 4th, 1911.

Give the ruling of the books in which H. Holcombe & Co. would record these transactions, and make therein the necessary entries.

5. George Jennings, a trader, upon commencing business, purchased a Cash Book, a Journal, and a Ledger. He gave his clerk instructions that all his cash transactions were to be entered in the Cash Book, and that all his credit sales and purchases were to be passed through the Journal.

If you do not approve of G. Jennings' action, what course would you recommend ?

Exercise.

On January 2nd, 1911, Charles Baines commenced business by paying his capital of £500 into the Union Bank, Ltd.

His transactions for the month of January were as follows :—

1911		
Jan.	3	Purchased Cotton Goods, on credit, from Paul Burford, £84 10s. 1d.
,,	,,	Purchased Silk from W. Walker & Co., on credit, £74 1s. 10d.
,,	4	Purchased from B. Burns, Velvet, on credit, £102 gross, less 10 % trade discount.
,,	,,	Drew £10 from bank for Petty Cash purposes.

Jan.	5	Sold, on credit, to Richard Leicester & Co., Silk, £62 10s., and Velvet, £75 8s.
,,	6	Purchased Postage Stamps, 5s., and paid for them out of Petty Cash.
,,	,,	Paid Trade Expenses, by cheque, £8 6s. 2d.
,,	7	Received from R. Leicester & Co., cheque for the amount of their account, less 5% cash discount.
,,	10	Paid Salaries, by cheque, £10.
,,	18	Purchased, on credit, from R. Hampton Tweed, £65 8s. 6d.
,,	20	Returned Tweed, damaged, £6 10s., to R. Hampton.
,,	21	Paid Paul Burford £50 on account.

Open the necessary Ledger Accounts and post the above transactions therein. Balance the accounts, and draw a "Trial Balance."

Exercise LXXXIII.

ROYAL SOCIETY OF ARTS.

Intermediate (Stage II).

(THREE HOURS ALLOWED.)

ONLY ONE *question to be answered, but* BOTH *exercises to be worked.*

1. What is a Bill of Exchange?

Briefly explain the following terms used in connection with bills: "Endorsing over," "Allonge," "Noting," "Renewed," "With documents attached."

2. Give an analysed form of Sales Book, and enter therein five transactions relating to the sale of cotton prints, velvet, silk, woollens, and fancy goods.

Exercise I.

William Bennett is in business as a wholesale and retail hosier and hatter. On December 31st, 1910, his Assets were as follows:—

Stock				1127	0	0
Furniture and Fittings				164	0	0
Plant and Machinery				183	0	0
Cash at Bank				221	0	0
,, in hand				30	0	0
Bills Receivable—						
Roberts & Co. (due Jan. 6th, 1911)	37	0	0			
W. Lea (due Feb. 14th, 1911)	79	0	0			
				116	0	0

Sundry Debtors—					
H. Sheppard & Sons	92	0	0		
A. White & Co., Ltd.	42	0	0		
Roberts & Co.	17	0	0		
W. Lea	8	0	0		
On the same day his Liabilities were :—				159	0	0
Bills Payable—					
S. Dove (due Jan. 7th, 1911) ..	211	0	0		
Robinson & Co. (due Jan. 17th, 1911)	49	0	0		
				260	0	0
Sundry Creditors—					
Robinson & Co.	34	0	0		
A. Green & Co., Ltd.	93	0	0		
S. Dove	117	0	0		
Brown Bros., Ltd.	122	0	0		
Elliott & Co.	47	0	0		
				413	0	0

He agreed to take his manager, H. Burns, into partnership as from January 1st, 1911, on condition that he brought £500 cash into the business, and paid W. Bennett £250 for a third share of the profits of the business. H. Burns duly paid these two amounts on January 2nd, 1911.

Open the accounts of the new firm in their Ledger, and post to it, through the proper subsidiary books, the following transactions :—

1911		
Jan.	2	Sold to W. Lea, 1 gross of Tweed Caps at 18s. 6d. per doz.
,,	,,	Bought, for cash, job line of Felt Goods for £5.
,,	3	A. White & Co., Ltd., paid their account, less 2½ % discount.
,,	,,	H. Sheppard & Sons gave a Bill for £50 at three months.
,,	,,	Bought of Robinson & Co., 3 doz. Oxford shirts at 28s. 11d. per doz., and 2 doz. heather mixture Half-hose at 8s. 6d. per doz.
,,	4	Bought of A. Green & Co., Ltd., 6 doz. Linen Handkerchiefs—3 doz. ladies' at 7s. 9d. per doz., and 3 doz. gents' at 8s. 3d. per doz.
,,	5	Paid, by cheque, S. Dove £50 on account.
,,	,,	Cash Sales, £37.
,,	6	Renewed Roberts & Co.'s Bill, which was due, but was not met.
,,	,,	Sold A. White & Co., Ltd., 9 Felt Hats at 37s. per doz., and 3 only, Silks, at 7s. 9d., 10s. 6d., and 12s. 3d. each.
,,	7	S. Dove's Bill due, and met.
,,	,,	W. Lea paid his account as on December 31st, 1910, less 2½ % discount.

Jan.	7	Roberts & Co. paid their account, less an allowance of £3 for imperfect Goods supplied.
,,	,,	Paid, by cash, Wages £15 and Carriage £2.
,,	,,	Cash Sales, £49.
,,	9	Paid Elliott & Co. £25 on account and bought from them 2 doz. saddlers' Braces at 15s. 6d. per doz.
,,	,,	A. Green & Co. "drew on us" at three months for £90, and the Bill was duly accepted.
,,	,,	Bought of S. Dove, 10 doz. Burlington Collars at 6s. 3d. per doz.
,,	10	Sold H. Sheppard & Sons, 3 doz. Tweed Hats at 21s. per doz. and 6 doz. Boys' Caps at 7s. 9d. per doz.
,,	,,	Sold W. Lea, 1½ doz. Felts at 42s. per doz.
,,	,,	Cash Sales, £31.

All Purchases and Sales were on credit, unless the contrary s stated; and all moneys received were at once paid into the bank.

Balance the Ledger Accounts as on January 10th, 1911; bring down the balances, and extract a Trial Balance.

N.B.—*No Profit and Loss Account or Balance Sheet to be prepared.*

Exercise II.

John Pearson and Allan Macgregor are in partnership as Corn Dealers. On December 31st, 1910, the following Trial Balance was extracted from their books.

You are required to prepare a Trading Account and a Profit and Loss Account for the year ended December 31st, 1910, and a Balance Sheet as on that date. Before preparing these accounts it is necessary to take the following matters into consideration:—

(*a*) Profits and Losses are to be shared, two-thirds by Pearson and one-third by Macgregor.

(*b*) Interest at 5 % per annum is to be charged on Capital, but not on Drawings.

(*c*) Depreciation is to be charged as follows:—

1. Fixtures and Fittings	5 %
2. Plant and Machinery	10 %
3. Horses and Carts	15 %

(*d*) The Bad Debts reserve is to be made up to £500.

(*e*) Only three-quarters' Rent had been paid on December 31st, and no reserve had been passed through the books for the quarter owing.

(*f*) The unexpired amounts to be carried forward are:—

1. Rates and Taxes	14	8	7
2. Insurance	7	0	0

(*g*) The value of the Stock in hand, as on December 31st, 1910, was agreed at £2,994 14s. 7d.

Give the Journal entries for the above adjustments.

TRIAL BALANCE.

	Dr.			Cr.		
John Pearson—Capital				6000	0	0
Allan Macgregor—Capital				3000	0	0
Repairs and Renewals	248	2	1			
Plant and Machinery	847	10	0			
Sales				19947	18	9
,, Returns	742	7	8			
Stock (December 31st, 1909)	2721	14	1			
Bad Debts	89	4	0			
Cash Sales				384	2	9
Carriage	1421	10	7			
Travelling Expenses	156	14	2			
Stable Expenses	192	1	4			
Purchases	13728	0	6			
,, Returns				757	16	5
Bills Receivable	929	1	1			
Wages	1646	13	10			
Salaries	346	2	3			
John Pearson—Drawings	650	0	0			
Allan Macgregor—Drawings	300	0	0			
Water, Gas, etc.	126	2	7			
Rent	150	0	0			
Reserve for Bad Debts				150	0	0
Insurance	30	5	2			
Trade Expenses	197	18	1			
General Expenses	203	1	2			
Discounts				4	9	7
Sundry Creditors				1099	10	10
,, Debtors	5771	4	1			
Horses and Carts	356	14	11			
Rates and Taxes	127	4	6			
Fixtures and Fittings	375	8	9			
Commission	62	12	7			
Cash in hand	46	7	1			
Bank balance				122	2	2
	31466	0	6	31466	0	6

Exercise LXXXIV.

ROYAL SOCIETY OF ARTS.

Advanced (Stage III).

(THREE HOURS ALLOWED.)

1. The undermentioned transactions took place between Robertson & Co., of London, and Trumper & Co., of Melbourne :—

1910				
Dec. 31	Balance owing by Trumper & Co. to Robertson & Co. at this date	500	0	0
1911				
Jan. 7	Robertson & Co. shipped Goods to Trumper & Co.	300	0	0
April 10	Bank draft received this day by Robertson & Co. from Trumper & Co.	600	0	0
,, 15	Robertson & Co. paid on behalf of Trumper & Co. :—			
	Charges Orient Mail S.S. Co.	50	0	0
	London Packing Co., Ltd.	100	0	0

Prepare the Account Current, bearing interest at 5 %, to be rendered by Robertson & Co. to Trumper & Co., as on April 30th, 1911.

2. On January 20th, 1911, the Eastwood Timber Co., Ltd., allotted 500 ordinary shares of £1 each, numbered 18500 to 18999, to Ernest Willington, 33 Rayleigh Street, E.C., and on the same day they sent him a letter of regret with reference to the further 500 shares for which he had applied.

E. Willington paid for the shares allotted to him as follows : January 11th, 1911, 5s. per share on application ; January 20th 5s. per share on allotment ; and 10s. per share (final call) on February 20th, 1911.

On February 28th, 1911, E. Willington purchased a further 500 shares, Nos. 1 to 500, on the Stock Exchange, for which he paid 21s. per share. The transfer was lodged and approved on March 6th, 1911. These shares were purchased from R. Gee, 14 High Street, Burnham.

On March 31st, 1911, E. Willington sold 100 shares, Nos. 1 to 100, to Peter Robinson, 14 Dowgate, Southminster, at 25s. per share, the transfer being lodged on April 1st and approved on April 3rd, 1911.

Show the above transactions as they would appear in the statistical books of the Eastwood Timber Co., Ltd. Ignore all questions of brokerage, stamps, and transfer fees,

3. The Tinacotah Rubber Plantations, Ltd., own a rubber estate in the East. Practically all the expenditure is local, and is made in cash. The rubber harvested is sent to Hamburg for sale by auction, the net proceeds being remitted to London. The local currency fluctuates considerably.

You are required to outline briefly the system of Book-keeping you would advise the Company to employ, and to explain how you would deal with the questions of currency and exchange.

4. Describe briefly how you would convert a set of books, which had been kept on "Single-entry" methods, into the "Double-entry" system.

The Patent Rice Food Co., Ltd., was registered as a Private Company in December, 1909, with a nominal capital of £32,000, divided into 30,000 ordinary shares of £1 each, and 200 founders' shares of £10 each. The latter shares were issued, as fully paid, to the inventor of the patent food, in consideration for the licence granted by him to the Company for the sole right to manufacture under his patent. The inventor and his friends subscribed for, and were allotted, 20,204 ordinary shares, upon which 12s. 6d. per share was called up.

The Company started business on January 1st, 1910, and on September 30th, 1910, an interim dividend of 4 %, free of tax, was declared and paid on the paid-up portion of the ordinary shares.

On December 31st, 1910, the Ledger balances of the Company, in addition to those represented by the above transactions, were as follows:—

BALANCES OF LEDGER ACCOUNTS.

Advertising	1668	0	0
Bank Loan	2000	0	0
Bills Payable	4741	0	0
Calls in Arrear	2	10	0
Carriage	977	0	0
Cash at Bank	1311	0	0

Sundry Debtors	3592	0	0
Discount on Purchases (less Discount on Sales)	93	0	0
Electrical Power for Factory	151	0	0
Extension of Leasehold Premises	2500	0	0
Interest on Bank Loan	65	0	0
Machinery Purchased	8451	0	0
Office Furniture	219	0	0
,, Salaries	472	0	0
Preliminary Expenses	113	0	0
Purchases	5816	0	0
Rent, Rates, Lighting, and Insurance	247	0	0
Sales	8862	0	0
,, Returns	119	0	0
Stationery and Office Expenses	77	0	0
Sundry Trade Creditors	1427	0	0
Travellers' Salaries and Expenses	1166	0	0
Wages	2299	0	0

The Stock in hand, as on December 31st, 1910, was valued and certified by the Managing Director at £3,075.

You are required to prepare a Trading Account and a Profit and Loss Account for the year ended December 31st, 1910, and a Balance Sheet as on that date.

Before preparing these accounts the following adjustments are necessary. (Give the Journal entries.)

(*a*) The Directors decided to write off Depreciation on the machinery at the rate of 10 % per annum for the six months during which the machines had been running.

(*b*) The Directors decided that, as the full benefit had not yet been derived from the expenditure upon advertising and travellers' salaries and expenses, the former item should be spread over three years (1910 to bear a full share), and that one-half of the latter should be carried forward to 1911.

(*c*) On investigation it was discovered that the Carriage Account contained items amounting to £236, representing Freight on machinery erected at the factory, and it was decided to transfer this amount to the Machinery Account. It was also found that the Wages Account included £93, representing the wages of men employed in erecting the machinery; it was decided to treat this item in the same manner.

(*d*) One quarter's Rent of the factory, amounting to £52, was owing on December 31st, 1910, and must be reserved for.

Exercise LXXXV.

NATIONAL UNION OF TEACHERS' EXAMINATIONS, 1911.

Elementary.

1. Rule a model Petty Cash Book. Enter £10 Cash in hand. Pay for six different items of expense and balance your book for commencing the next period.

2. When a merchant keeps his books by Single Entry, he neglects to keep certain accounts. Which are they? Also explain how he finds the profit he has made during the year.

Exercise.

On March 1st, 1911, Samuel Sparrow, Merchant, had cash in hand, £360 10s. 6d.; Goods on hand, £450 15s. Debtors: James Crow, £220 12s. 6d.; Thomas Finch, £150 17s. 6d.; John Jay, £270 4s. 6d. Creditors: Louis Lark, £180 17s. 9d.; Robert Rook, £200 2s. 3d.

Find and credit his capital. Enter the transactions given below in suitable books, post them to the Ledger, draw out a Trial Balance, balance the accounts, and make out a Profit and Loss Account and Balance Sheet.

1911					
Mar. 1	Samuel Sparrow drew Cash for Self ..	20	0	0
„ 2	Received Cash from J. Crow	210	0	0
„ „	Discount allowed in addition	10	12	6
„ 3	Paid for Postages	1	7	6
„ 4	Cash Purchases	210	5	3
„ 6	Sold Goods to J. Crow	175	6	8
„ „	Charged him for Carriage paid on above Goods	1	13	4
„ 7	Received Cash of T. Finch	147	0	0
„ „	Discount allowed in addition	3	17	6
„ 8	Paid Rates	4	15	0
„ 9	Cash Sales	130	2	6
„ 10	T. Finch bought Goods	180	13	4
„ 11	Sales to L. Lark	50	0	0
„ 13	Paid L. Lark Cash	127	0	0
„ „	Received Discount from him	3	17	9
„ 14	Sales to Hy. Robin	135	11	8
„ 15	Purchases from L. Lark	215	10	6
„ 16	Paid R. Rook Cash	195	0	0
„ „	Received Discount from him	5	2	3
„ 17	Received Cash from Hy. Robin	35	11	8
„ 18	J. Crow bought Goods	28	10	0

Mar. 20	R. Rook sold me Goods	165	6	0
,, 21	Received Cash of John Jay in full settlement	255	10	0
,, ,,	Wrote off his Balance as Bad Debt ..	14	14	6
,, 22	Bought Goods of Charles Wren	54	2	6
,, 23	Received Cash for a Bad Debt written off two years ago	27	15	0
,, 24	Purchases from R. Rook	45	10	2
,, 25	Paid R. Rook, Cash	100	0	0
,, 27	Received Cash from J. Crow	77	0	0
,, 28	Paid Wages	16	17	6
,, 29	,, Rent	25	0	0
,, 31	Interest on Capital	4	10	0
,, ,,	Stock on hand	529	14	9

Exercise LXXXVI.

Intermediate.

1. Briefly explain: *Ad Valorem*, Tale Quale, Accommodation Bill, Case of Need, 60 days' sight, Lay Days.

2. John Brown and Henry White purchase £600 worth of Goods on Joint Account, each paying £300. In addition, Brown pays £20 charges, and is to be allowed £10 commission for managing the business. He sells the Goods for £700 cash, and they share the net profit equally. Brown gives White a cheque for the total amount due to him. Make out a Joint Account and an account for Henry White as in John Brown's Ledger.

Exercise.

On March 1st, 1911, the affairs of Sidney Sycamore, Contractor, stood as follows:—

Assets. Cash in Office, £160; Cash at Bank, £1,500; Bills Receivable, No. 20, £250, No. 21, £300; John Ash, £230 12s. 6d.; William Beech, £145 7s. 6d.; Contract 1—Expenditure to Date, £2,100; Contract 2—Expenditure to Date, £1,800; Freehold Premises, £10,000; Plant and Machinery, £5,200; Stock of Materials, £1,850.

Liabilities. Bills Payable, No. 25, £290, No. 26, £175; Henry Lime, £322 10s. 6d.; Thomas Oak, £148 9s. 6d.; Contract 1—Instalments received, £1,800; Contract 2—Ditto, £1,200.

His transactions for the month are given below. Enter them in the proper books, post them to the Ledger, and make out

a Trial Balance, Profit and Loss Account, and Balance Sheet. All payments, unless otherwise stated, are made by cheque; all receipts are paid into the bank same day.

1911				
Mar. 1	Received Cheque for Bill Receivable No. 20, allowing Rebate	2	17	6
,, ,,	Signed Contract 3, to build Westland Bridge for	4000	0	0
,, 2	Bought Granite of Hy. Lime	315	5	6
,, 3	Materials supplied to Contract 1	275	10	0
,, ,,	,, ,, ,, 2	150	15	6
,, ,,	,, ,, ,, 3	75	0	0
,, 4	Paid Hy. Lime, Cheque	122	10	6
,, ,,	And our acceptance at 1 month	200	0	0
,, 6	Received Cheque from John Ash	227	10	0
,, ,,	Discount in addition	3	2	6
,, 7	Bought Bricks of Thos. Oak for 2 months' Bill	275	6	8
,, 8	Contract 1. Instalment received	500	0	0
,, ,,	,, 2. ,, ,, ...	250	0	0
,, 9	Materials in yard destroyed by fire this day. Claimed upon Insurance Co. for ..	30	0	0
,, ,,	Received Wm. Beech's Acceptance ..	145	7	6
,, 10	Paid Thos. Oak, Cheque	146	0	0
,, ,,	Discount in addition	2	9	6
,, 11	Contract 1. Paid Wages	110	14	6
,, ,,	,, 2. ,, ,, ...	140	7	4
,, ,,	,, 3. ,, ,, ...	48	3	4
,, 13	Bought Cement of Henry Lime	260	7	6
,, 14	,, a Steam Crane from Vulcan & Co. for 2 months' Bill	520	10	0
,, 15	Sent Office Cash to Bank	100	0	0
,, 16	Materials supplied to Contract 1	215	8	2
,, ,,	,, ,, ,, 2	160	5	0
,, ,,	,, ,, ,, 3	255	12	6
,, 18	Retired Bill Payable No. 25, with Cheque for	288	15	0
,, 20	Sales to John Ash	130	15	6
,, 21	Discounted Bill Receivable No. 21 with the Bank for	297	10	0
,, 22	Paid for Small Repairs—Office Cash ..	4	12	6
,, 23	Sidney Sycamore's Drawings	40	0	0
,, 24	Contract 1. Paid Wages	150	10	2
,, ,,	,, 2. ,, ,, ...	100	8	4
,, ,,	,, 3. ,, ,, ...	125	10	6
,, 25	Received Cheque from Insurance Co. in full settlement of claim	25	0	0
,, 27	Contract 1 completed, final instalment received	1000	0	0

Mar. 28	Contract 2 completed, instalment received A balance of £350 is held back as retention money on this Contract.	950	0	0
,, 30	Paid for Stationery—Office Cash	3	10	6
,, ,,	,, Salaries	180	2	6
,, 31	Bank allowed us Interest	6	3	4
,, ,,	Interest on Capital	81	13	4
,, ,,	Depreciation of Premises	20	0	0
,, ,,	,, Plant and Machinery ..	45	0	0
,, ,,	Stock of Materials on hand	1458	0	0

Exercise LXXXVII.

Advanced.

1. Give a ruling suitable for a combined Register of Members and Share Ledger.

2. Illustrate the sectional system of self-balancing Ledgers by posting direct from the Exercise in the Elementary Stage of this examination all the items necessary to form a complete Sales Ledger, render it self-balancing, and take out a Trial Balance.

3. Black and White are equal partners, and their Balance Sheet stands as follows:—

Assets. Cash, £400; Debtors, £2,000; Stock, £1,500; Machinery, £2,000.

Liabilities. Creditors, £1,800; Black's Capital, £2,900; White's Capital, £1,200.

They decide to dissolve partnership, and the Assets realise the following amounts: Debtors, £1,880; Stock, £1,200; Machinery, £1,800. They receive £100 as Discounts from Creditors, and the expenses of realisation amount to £230. Prepare Ledger accounts showing the result of the winding-up.

4. The figures given below relate to the Cornwall Colliery Company for the year ending 31st December, 1910.

You are requested to construct from them a Capital Account and General Balance Sheet on the Double Account System, and then exhibit the same figures in a Balance Sheet on the Single Account System.

Nominal Capital	£250,000
110,000 Ordinary Shares of £1 each fully paid	110,000
60,000 6 per cent. Preference Shares of £1 each fully paid	60,000
Debentures 5 per cent.	30,000

Bills Payable	6,000
Sundry Creditors	9,000
Lands acquired	8,500
Shaft Sinking, etc.	111,000
Plant and Machinery	35,000
Wagons	13,500
Office Buildings	3,000
Workmen's Cottages	9,000
Depreciation Fund	20,000
Reserve Fund	15,000
Balance to Credit of Profit and Loss Account	25,000
Stock on hand	12,000
Investments	17,000
Sundry Debtors	35,000
Cash in hand and at Bank	30,000
Short Workings Account	1,000

The above figures include an issue of 10,000 Preference Shares during the year 1910; and the following amounts were also spent during the same period :—Shaft Sinking, £6,000; Machinery, £5,000; Wagons, £3,000; Workmen's Cottages, £1,000.

5. From the following statement make out Trading Account, Profit and Loss Account, and Balance Sheet for the Motor Manufacturing Co., Ltd., for the year ending 31st December, 1910.

Write off the whole of Preliminary Expenses and depreciate Plant and Machinery, Office Furniture, Patterns and Patents at a uniform rate of $7\frac{1}{2}$ per cent. per annum.

Add £2,000 to the Sinking Fund for redemption of Debentures, and leave the Reserve for Bad and Doubtful Debts at 5 % on Sundry Debtors.

Stock on hand at the above date was taken at £10,087.

Nominal Capital 80,000 Shares of £1 each	80000	0	0
Subscribed Capital 60,000 Shares of £1 each fully called	60000	0	0
Calls in Arrear	1000	0	0
Freehold Premises	18000	0	0
Plant and Machinery	20000	0	0
Interim Dividend paid	2000	0	0
Debentures, 5 per cent.	20000	0	0
Stock 31/12/09	18750	0	0
Office Furniture	625	0	0
Patterns	6250	0	0
Patents	3750	0	0
Goodwill	12000	0	0

Sundry Debtors	37500	0	0
,, Creditors	16800	0	0
Cash in hand	150	0	0
,, at Bank—Current Account	3000	0	0
,, at Bank on deposit	12000	0	0
Balance to Credit of Profit and Loss 1/1/10	890	0	0
Bills Payable	15500	0	0
Sales	122000	0	0
Purchases	62100	0	0
Preliminary Expenses	400	0	0
Sinking Fund for redemption of Debentures	8000	0	0
N.B.—This is represented by Investments to an equal amount, and there is one year's interest on them at 3½ % per annum due, but unpaid, at the date of making up these accounts.			
Manufacturing Wages	30000	0	0
Repairs and Renewals	1300	0	0
Coal	2225	0	0
Gas and Water	175	0	0
Rates, Taxes, and Insurance	1250	0	0
Office Salaries	1000	0	0
Travelling Expenses	1325	0	0
General Expenses	457	0	0
Discounts allowed	2120	0	0
,, received	1780	0	0
Directors' Fees	525	0	0
Royalties paid	450	0	0
Interest on Bank Deposit	300	0	0
Bad Debts	150	0	0
Reserve for Bad and Doubtful Debts	2250	0	0
Debenture Interest	1000	0	0

Exercise LXXXVIII.

COUNTY COUNCIL OF THE WEST RIDING OF YORKSHIRE, 1911.

Third Year.

1. Write up in the Cash Book, Sales and Purchases Day Books, and Ledger, the following transactions of William Stewart. Prepare Trial Balance, Profit and Loss Account, and Balance Sheet, 30th June, 1911.

April 1	Cash in hand	15	10	0
,, 3	Bought Goods for Cash	11	11	6
,, 5	Sold Goods to C. Coates	6	2	3
,, 7	Received Cash from C. Coates	4	0	0
,, 9	Bought Goods of W. Musgrave	9	4	2
,, 12	Sold Goods to C. Coates	20	0	3
,, 17	Paid Trade Expenses	3	5	0

May 1	Paid Rent	3	6	8
,, 2	Bought Goods of W. Musgrave	10	10	0
,, 5	Sold Goods to C. Coates	17	2	6
,, 6	Received Cash from C. Coates	22	0	0
,, ,,	Allowed Discount to C. Coates	0	2	6
,, 10	Sold Goods for Cash	2	3	6
,, 13	Bought Goods of W. Musgrave	11	0	6
,, ,,	Paid Cash to W. Musgrave	19	10	0
	He allows discount		4	2
,, 23	Bought Goods for Cash	7	2	2
,, 24	Sold Goods to C. Coates	6	11	0
,, ,,	Received Cash from C. Coates	10	0	0
,, 29	Bought Goods of W. Musgrave	32	6	3
,, 31	Paid Trade Expenses	5	15	0
June 4	Sold Goods to C. Coates	4	8	9
,, 11	Received Cash from C. Coates	13	10	0
	And allowed him discount		3	6
,, 14	Sold Goods for Cash	1	18	6
,, 20	Paid Cash to W. Musgrave	10	15	0
	He allowed discount		5	6
,, 26	Received Cash from C. Coates	2	0	0
,, 30	Paid Trade Expenses	1	14	6
,, ,,	Stock of Goods on hand £40.			

2. What is the meaning of Credit Sale, Credit Note, Credit Posting ?

3. Upon counting your cash in hand on 4th April you find that it is £1 10s. 9d. less than the balance shown by the Cash Book. On 1st April it agreed exactly. Say how you would proceed to find the cause of difference.

4. Explain as fully as possible the "Trial Balance," stating the object for which it is prepared, and how often it should be taken out.

5. Describe the process of sending out "Customers' Statements of Account," showing how they are prepared and for what purpose they are used.

6. On 7th April, Thomas Lewis's Cash Book is accidentally burnt. He knows that on 1st April he had £3 0s. 0d. cash in hand and £20 cash at bank, and the following sources of information are available :—

Counterfoil Receipt Book shows :—

April 1	C. Wiggins, Cash ..	14	5	0	discount	0	15	0
,, 3	W. Turner, ,, ..	0	19	6	,,	0	0	6
,, 5	R. O. James, ,, ..	9	16	0	,,	0	10	8

Counterfoil Cheque Book shows :—

April	1	Parker Bros.,	cash ..	6	11	3	discount	0	3	9
,,	3	Kirkby & Co.	,, ..	4	9	0	,,	0	4	8
,,	5	E. H. Hunter	,, ..	22	10	0	,,	2	10	0

Receipted Accounts file has receipts given by the following :

April	2	Manners & Son,	Cash	1	13	3	discount	0	1	9
,,	4	W. Hopwood	,,	5	17	0	,,	0	3	0
,,	6	R. Fletcher	,,	1	18	0	,,	0	2	0

Bank Paying-in Book contains memoranda of moneys paid to bank :—

April 2 £7 0s. 0d.
,, 6 £5 10s. 0d.

Wages Book shows wages paid :—

April 7 £5 15s. 9d.

Enter up a new Cash Book commencing 1st April, with columns for Discount, Cash and Bank, showing salaries at 7th April.

Exercise LXXXIX.

Fourth Year.

The business of J. & H. Mason, Ironfounders, is carried on by James Mason and Henry Mason, who are partners.

Their Balance Sheet at 31st December, 1910, is :—

Capital and Liabilities.

Creditors—Lewis & Co.	80 0 1		
Arroll & Sons	16 4 8		
		96	4 9
Bill Payable		80	0 0
Capital—Jas. Mason	1574 6 8		
Hy. Mason	683 5 0		
		2257	11 8
		2433	16 5

Assets.

Machinery and Plant		1809	19 4
Stock		439	6 2
Debtors—Bean & Moor	35 8 9		
Rentons, Ltd.	83 4 6		
		118	13 3
Bank		62	8 11
Cash		3	8 9
		2433	16 5

The Partners are entitled to Interest at 5 % per annum on their Capital, and share profits equally.

You are required to record the transactions for the two months ending 28th February, 1911, to close the books at 28th February, and show Balance Sheet at that date.

The Cash Book should be balanced monthly, also the Sales and Purchases totals posted monthly.

Invoices sent out :—

Jan. 6	Rentons, Ltd., York, 12 Castings No. 495, total weight 19 cwts. 1 qr. 2 lbs. and 12 Castings No. 608, total weight 14 cwts. 2 qrs. 26 lbs. at 35s. per cwt. as per Order No. F. 510, sent per North-Eastern Railway (carriage paid), in a case No. 42 for which a charge of 10s. is to be made.
Jan. 30	Bean & Moor, Heckmondwike, 50 sets small Furnace Doors and Grates 36 cwts. 1 qr. 14 lbs. at 12s. per cwt. and 100 lengths No. 58 Gratings 36 in. by 6 in. by ½ in., 8 cwts. 2 qrs. at 11s. per cwt.
Feb. 9	Bean & Moor, Heckmondwike, 3 tons 4 cwts. 1 qr. Castings at 15s. per cwt.
,, 18	Rentons, Ltd., York, 20 tons 3 cwts. 3 qrs. Castings at 15s. per cwt.
,, 21	Bean & Moor, Heckmondwike, 1 gross Fig. 27 Inlets fitted complete 5 tons 1 cwt. 2 qrs. 19 lbs. at 5s. 3d. each and 16, 18 in. grate bars 1 cwt. 1 qr. 14 lbs. at 12s. per cwt., packing case No. 43 10s.

Credit Notes sent out :—

Jan. 10	Rentons, Ltd., York, Case No. 42 returned 10s.
,, 31	Bean & Moor, Heckmondwike, allowance for short weight on Furnace Doors and Grates 1 cwt. 0 qrs. 12 lbs. at 12s. per cwt. 13s. 3d.
Feb. 27	Bean & Moor, Heckmondwike, Case No. 43 returned 10s.

Invoices received :—

Jan. 9	Lewis & Co., Iron and Materials, £33 14s. 6d., Coal, £19 8s. 6d., Repairs to Machinery, £7 18s. 9d.
,, 31	Arroll & Sons, Trade Expenses, £5 11s. 2d., and Commission 5 % on net Sales for January.
,, ,,	North-Eastern Railway Co., Carriage, £13 2s. 6d., Rent, £20 0s. 0d.
,, ,,	Lewis & Co., Iron and Materials, £59 6s. 2d., Coal, £23 4s. 3d., Machinery and Plant, £50 15s. 0d.
Feb. 7	Arroll & Sons, Trade Expenses, £6 19s. 5d., Machinery and Plant, £18 3s. 2d., Iron and Materials, £31 19s. 6d.

Feb. 23	Lewis & Co., Iron and Materials, £25 16s. 11d., Coal, £25 2s. 3d., Repairs to Machinery, £15 9s. 6d.
,, 28	Arroll & Sons, Commission 5 % on net Sales for February, and Trade Expenses, £6 13s. 2d.
,, ,,	North-Eastern Railway Co., Carriage, £15 11s. 7d., Rent, £20 0s. 0d.

Credit Notes received :—

Jan. 12	Lewis & Co., Iron and Materials, £2 11s. 3d.
,, 31	Arroll & Sons, Trade Expenses, 5s. 9d.
Feb. 9	Arroll & Sons, Machinery and Plant, £1 5s. 8d., Iron and Materials, £3 18s. 2d.
,, 25	Lewis & Co., Iron and Materials, £5 3s. 1d., Coal, £2 1s. 9d.

Cash, etc., received :—

Jan. 5	Bean & Moor, Cheque £33 13s. 4d., discount £1 15s. 5d.
,, 6	Edward Brown, an employee, for Coal sold to him this day, £1 5s. 0d.
,, 13	Drew Cash from Bank by cheque, £40 0s. 0d.

Payments :—

Jan. 26	Rentons, Ltd., cheque £30 0s. 0d., cash £49 1s. 3d., discount £4 3s. 3d.
Feb. 7	Bean & Moor, cheque for January Account less 5 % dis.
,, 10	Drew Cash from Bank by cheque, £60 0s. 0d.
,, 13	Lewis & Co., Cash 10s., amount of January Account overpaid.
,, 23	Rentons, Ltd., Bankers' Draft payable on demand, £20 0s. 0d. Cash, £36 10s. 6d., discount £2 19s. 6d.

Payments :—

Jan. 6	Paid to Bank, £35 0s. 0d.
,, 13	Wages, £30 6s. 6d.
,, 17	Arroll & Sons, by cheque £15 16s. 6d., discount 8s. 2d.
,, 23	Advised Bank of Bill £80 0s. 0d. due to-morrow.
,, 26	Lewis & Co., cheque £70 0s. 0d., cash £6 0s. 0d., discount £4 0s. 1d.
,, 27	Wages, £32 3s. 9d.
,, ,,	Paid to Bank £32 0s. 0d.
Feb. 3	Bank Charge Account for cheque book 8s.
,, 5	Paid Property Tax by cheque £11 13s. 4d. on behalf of landlords, North-Eastern Railway Co. to be refunded by them.
,, 10	Paid Wages £35 11s. 9d.
,, ,,	,, North-Eastern Railway Co., Cash £21 9s. 2d.
,, 11	Lewis & Co. by cheque £182 14s. 1d., discount £9 11s. 10d.
,, 23	Paid to Bank £45 0s. 0d.
,, 24	,, Wages £34 8s. 6d.
,, 28	James Mason (partner), Cash £10 0s. 0d.
,, ,,	Henry ,, ,, Cheque £10 0s. 0d.
,, ,,	Stock 28th February, 1911, £553 14s. 6d.

Exercise XC.

THE LONDON CHAMBER OF COMMERCE, 1911.

Junior.

1. A. Land's books on 1st January, 1910, contained the following balances:—

B. Grass, Debtor	180	3	0
C. Tree, ,, ...	160	0	0
D. Fence, ,, ...	309	17	0
E. Green, Creditor	200	10	0
F. Leaf ,, ...	105	15	0
Stock on hand	1262	0	0
Bills Payable—			
Due 15th Jan., 1910	131	5	0
,, 15th Feb., 1910	131	5	0
Bill Receivable—			
Due 4th Jan., 1910	180	0	0
Petty Cash in hand	10	0	0
Cash at City Bank	321	15	0
Furniture and Fittings	45	0	0

What was A. Land's capital on 1st January, 1910?

2. Open the Ledger of A. Land with the balances shown in Question 1.

In the month of January his transactions were:—

1910	
Jan. 3	Sold to D. Fence— 15 cwts. Coffee at 100s. per cwt. 100 chests Tea, 2,000 lbs. at 1s. 10½d. per lb.
,, 4	Handed to Bank for collection, Bill Receivable £180, due on 5th Jan.
,, 5	Bill Receivable duly collected and credited to account.
,, 8	Drew cheque for Petty Cash, £30.
,, 11	Paid E. Green and F. Leaf respectively cheques in settlement of their accounts after deducting from each discount at the rate of 5 %.
,, 12	Received of B. Grass cheque £171 2s. 6d. to settle his account. Sent him receipt in full.
,, 14	Received of C. Tree cheque for amount of his account less 2½ % discount.
,, 15	Drew cheque for Petty Cash, £30.
,, ,,	Bill Payable due this day, met at Bank, £131 5s. 0d.
,, 17	Bought of E. Green— 120 cwts. Coffee at 65s.
,, ,,	Handed to E. Green acceptance at 3 months net for the amount.
,, 19	Sold to C. Tree— 80 cwts. Coffee at 92s. 6d. 320 chests Tea, 6,400 lbs., at 1s. 10½d.

Jan. 22	Drew cheque for Petty Cash, £30.
,, 24	D. Fence paid by cheque £300 on account.
,, 25	Bought of F. Leaf—
	1,000 chests Tea, 20,200 lbs., at 1s.
,, 26	Paid F. Leaf by cheque £200 and handed him tw acceptances for the balance of his account in equ moieties at 2 months and 3 months respectively.
,, 27	Drew on D. Fence at 2 months for the balance of h account.
,, 29	Drew cheque for Petty Cash, £30.
,, ,,	Received from D. Fence his acceptance of draft forwarde on 27th Jan.
,, 31	Sold to B. Grass—
	100 cwts. Coffee at 91s. 6d.
	200 chests Tea, 2,100 lbs., at 1s. 8d.
,, ,,	C. Tree returned (not up to sample) 100 chests of Tea part of his purchase on 19th Jan. Sent him credit note

The payments from Petty Cash during the month were:—

Personal Drawings	60	0	0
Salaries	40	0	0
Carriage and Postage	10	0	0
Petty Expenses	12	0	0

Enter all the transactions in the proper subsidiary book and post to the Ledger. Take out a Trial Balance as on 31st January, 1910, and prepare therefrom a Trading Account Profit and Loss Account, and Balance Sheet. The stock on hand at that date was valued at £1,500.

3. Define the following terms:—

Bill of Lading.
Business Capital.

Exercise XCI.

LANCASHIRE AND CHESHIRE UNION OF INSTITUTES.

Junior Grade. 1911.

You must first attempt not more than FOUR *of the questions in Part I, and afterwards attempt the statements of account in Parts II and III of this grade.*

Part I.

1. What do you understand by: (*a*) Lien; (*b*) Insolvent; (*c*) E. and O.E.

2. Explain the meaning and effect of the words "not negotiable" when written across a cheque.

3. On the 1st January, 1911, A. Marston, Manchester, sells the following goods to M. Archer, Leeds:—

2 cwts. best Sugar at £12 per ton, subject to a trade discount of 10 %.
1½ cwts. Butter at £5 per cwt., subject to a trade discount of 20 %.
2 gross Eggs at 9d. per doz., subject to a trade discount of 33⅓ %.
5 cwts. Bacon at £6 10s. per cwt., subject to a trade discount of 25 %.
Terms, 2½ % monthly.

Make out invoice.

4. On the 1st February, 1911, Messrs. Rhodes & Co., Stockport, drew a bill of exchange upon John Ellis, of Liverpool, for £325 at four months' date, which was duly accepted payable at the Manchester & County Bank, Liverpool; after acceptance, the bill was endorsed to Albert Blackston, Preston. Draw the bill of exchange showing acceptance, endorsement, and stamp duty.

5. Referring to the previous question, supposing the bill at due date was returned dishonoured, and the endorsee arranges with the acceptor to accept a new bill of exchange dated the due date of the one dishonoured at four months, plus interest at 5 % per annum for the period, and 2s. 6d. expenses.

Make the Journal entries in the books of the acceptor.

6. What is a Trial Balance, and what are its uses?

Part II.

7. On the 1st January, 1911, L. Huntley commenced business with:—

Assets. Cash in hand, £32 18s. 9d.; Cash at Bank, £133 16s. 1d.; Goods on hand, £412 8s. 0d.; M. Saunders, £38 10s. 0d.; F. Hartley, £53 18s. 0d.; S. Fearnley, £86 12s. 8d.; and Horses and Carts, £53.

Liabilities. A. Knowles, £219 11s. 6d.; and W. Close, £291 12s. 0d.

His transactions for the month were as follows:—

					£	s.	d
Jan.	1	Bought Goods for Cash			25	10	
,,	2	Received from M. Saunders cheque for his account, and allowed him 5 % discount.					
,,	4	Sold Goods to S. Fearnley for Cash..	12	19 3			
,,	,,	On credit	53	1 8	66	0	11
,,	5	Accepted A. Knowles' Bill of Exchange at 4 months			219	11	6
,,	6	Received from S. Fearnley cheque and paid same into bank	82	0 0			
,,	,,	And allowed him discount ..	4	12 8	86	12	8
,,	8	Sent Credit Note to F. Hartley for Goods damaged			9	7	6
,,	9	Sold Goods to M. Saunders			43	18	0
,,	10	Bought Goods from W. Close			18	3	5
,,	11	Sent Cheque to W. Close ..	142	10 0			
,,	,,	And he allowed me discount	7	10 0	150	0	0
,,	12	Bought a new Horse and paid for same by cheque			21	0	0
,,	13	Paid Wages by Cash..			10	5	0
,,	15	Received cheque on account from M. Saunders			20	0	0
,,	18	Paid into Bank			35	0	0
,,	20	Returned Goods to W. Close not up to sample			58	10	0
,,	22	Paid Cash for Carriage			7	10	6
,,	23	M. Saunders failed and paid a composition of 6s. 8d. in the £ into our banking account.					
,,	28	L. Huntley pays his Private Accounts by cheque			15	0	0
,,	31	Depreciate Horses and Carts			2	8	0
,,	,,	Credit Capital with Interest			1	10	0
,,	,,	Gas and Water Account due			9	11	6

Enter the above items in the proper books, post to Ledger, and take out Trial Balance.

Part III.

8. From the foregoing, close the accounts, bring down the balances, make out Profit and Loss Account and Balance Sheet. On the 31st January, 1911, the stock amounted to £355 5s. 4d.

Exercise XCII.

Senior Grade.

You must first attempt not more than FOUR *of the questions in Part I, and afterwards attempt the statements of account in Parts II and III of this grade.*

Part I.

9. The following is the Profit and Loss Account of John Aines, for the year ended the 31st March, 1911, he having started business on the 1st April, 1910.

To Stock, 1st April, 1910	2123	0	0	By Sales	8000	0	0
,, Purchases	5896	0	0	,, Stock, 31st March, 1911	1548	0	0
,, Trade Expenses	748	1	8				
,, John Aines, Salary	150	0	0				
,, Life Insurance ..	93	0	0				
,, Schedule "A" Tax	7	0	0				
,, Mortgage Interest £70, less tax £4 1s. 8d.	65	18	4				
,, Depreciation 10% per annum ..	212	0	0				
,, Interest on Capital	103	0	0				
,, Net Profit for the year	150	0	0				
	9548	0	0		9548	0	0

Make out summary for income tax purposes, showing the tax payable, assuming that the surveyor has agreed to assess on the one year's profits. The business premises belong to John Aines, and are assessed under Schedule "A" at £120. The allowance for wear and tear is 5 %.

10. What do you understand by: (*a*) Floating Capital; (*b*) Fixed Capital; (*c*) Gilt-edged Securities.

11. On the 31st December, 1910, your cash book shows that you have in bank the sum of £1,200. On checking your cash book with the bank pass book you find that cheques drawn amounting to £212 have not passed through the bank, and also that the bank have not credited you with a sum of £108 cheques paid in on the 31st December, 1910. On the same date the pass book shows that the bank have credited you with interest, less charges, £24, which you have not passed through your cash book. Draw up a reconciliation account showing adjustments between your bank pass book and cash book.

12. Explain the difference between:—
(*a*) Debenture Stock.
(*b*) Debentures to Bearer.
(*c*) Debentures to Registered Holder.

13. What do you understand by the "Double account system," and in what way does it differ from the "Single account system"?

14. On the 31st December, 1910, John Allison and Albert Baker, trading as Allison & Baker, Cotton Spinners, before taking out their balance sheet for the year, decide to have a re-valuation made of certain mill premises which form part of the assets of the business. On the re-valuation being made it is found that the property is worth £10,000 more than is shown in the books. It is their desire that the true value shall be shown on their balance sheet. How would you give effect to this in the books of the business?

Part II.

15. The following is a Trial Balance extracted from the books of the Pleasant Hotel Co., Ltd., on the 31st December, 1910, from which you are required to prepare Revenue Account and Balance Sheet.

Nominal capital, £25,000, divided into 10,000 5 % Cumulative Preference Shares of £1 each, and 10,000 Ordinary Shares of £1 each, and 5,000 Deferred Ordinary Shares of £1 each.

	Dr.			Cr.		
Issued—8,500 5 % Cumulative Preference Shares fully paid				8500	0	0
9,000 Ordinary Shares fully paid				9000	0	0
5,000 Deferred Ordinary Shares issued to Vendors as fully paid				5000	0	0
Purchases—Beer, Wine, and Spirits, etc.	5450	0	0			
Provisions	4580	0	0			
Wages and Salaries..	5230	0	0			
Rates, Taxes, Insurance, Licences, etc...	1890	0	0			
Laundry	313	0	0			
Carried forward	17463	0	0	22500	0	0

	Dr.			Cr.		
Brought forward	17463	0	0	22500	0	0
Takings—Beer, Wines, Spirits, etc.				7862	0	0
Sales of Food				6263	0	0
Coals	129	0	0			
Carriage and Porterage	236	0	0			
Sundry Trade Expenses	584	0	0			
Advertising	471	0	0			
Repairs	208	0	0			
Apartments				8191	0	0
Billiards				212	0	0
Sundry Receipts				159	0	0
Discounts received				390	0	0
Transfer Fees				6	0	0
Freehold Land and Buildings ..	35000	0	0			
Furniture and Fittings	3671	0	0			
Stock on hand, 1st January, 1910—						
Beer, Wines, Spirits, etc. ..	2128	0	0			
Provisions	320	0	0			
Cash in hand	123	12	11			
Parrs Bank, Ltd.				2212	0	0
Preliminary Expenses of formation of Company	864	0	0			
200 4½ % 1st Mortgage Debentures of £100 each				20000	0	0
Debenture Interest paid less Tax to 31st October, 1910	706	5	0			
Profit and Loss Account, 1st Jan., 1910				1510	0	0
Sundry Creditors				4980	0	0
Investments	5069	0	0			
Goodwill at cost to Company ..	10000	0	0			
Interim Dividend on Preference Shares, half-year to June 30th, 1910	200	2	1			
Reserve Fund				5000	0	0
Debtors for Apartments not yet entered	152	0	0	152	0	0
Additions to Freehold	2112	0	0			
	79437	0	0	79437	0	0

Reserve for debenture interest, less tax at 1s. 2d. in the £; wages and salaries, £128. Stock, 31st December, 1910: Beer, wines, spirits, etc., £2,520; provisions, £164.

Depreciate furniture and fittings 5 % for the year; land and buildings *nil.*

Also make out Profit and Loss Appropriation Account assuming that after the ordinary shareholders are allowed 10 % free of tax, it is suggested the deferred ordinary shareholders are to be paid a dividend of 10 % free of tax, and the balance carried forward to next year.

Assume that all transactions mentioned above have been carried out. The profits for the year ended the 31st December, 1909, before making any allowance for M. Maxwell's salary or for interest on partners' capital amounted to £2,510.

Show the partners' capital accounts at the 31st December, 1909.

Part III.

16. W. Lone and T. Stanley are trading as partners in the firm of Lone, Stanley & Co., profits being shared as follows :— W. Lone, two-thirds; and T. Stanley, one-third. The following is the balance sheet of Lone, Stanley & Co., as at 31st December, 1908 :—

Liabilities.				*Assets.*			
W. Lone, Capital A/c.	2000	0	0	Cash	200	0	0
T. Stanley, ,,	1800	0	0	Sundry Assets ..	27600	0	0
Sundry Creditors ..	24000	0	0				
	27800	0	0		27800	0	0

On the 1st January, 1909, they admit M. Maxwell as a partner, on the following terms :—

(*a*) Profits are to be divided as to three-sixths to W. Lone, two-sixths to T. Stanley, and one-sixth to M. Maxwell.

(*b*) M. Maxwell to bring in £1,000 as his capital.

(*c*) A goodwill account is to be raised for £1,800, this sum to be credited to the old partners.

(*d*) W. Lone is at liberty to withdraw £400 of his capital on January 1st, 1909.

(*e*) M. Maxwell to have a salary of £400 per annum out of profits.

(*f*) Interest to be allowed on partners' capital accounts at the rate of 5 % per annum. No interest on ordinary drawings to be taken into account. Each partner is at liberty to draw £40 a month in anticipation of profits (in the case of M. Maxwell the £40 is in anticipation of profits and salary).

BUSINESS ABBREVIATIONS

THE following additional abbreviations and terms (as well as those already explained in the course of this book) may possibly be found useful to the student. A *complete* list of business terms in general use, with their foreign equivalents and with facsimiles of business forms, etc., is given in "Pitman's Business Terms, Phrases, and Abbreviations," price 2s. 6d. net.

a/c	Account	f.o.r.	Free on rail
@	at	f.p.a.	Free of particular average
A/S	Account Sales		
B/B	Bills Book	IOU	I owe you
B/L	Bill of Lading	I/B	Invoice Book
B/P	Bill Payable	Inst.	Instant, or present month
B/R	Bill Receivable		
B/S	Bill of Sale	J/A	Joint Account
c/a	Capital Account	J/F	Journal Folio
C/B	Cash Book	L/C	Letter of Credit
C/d	Cum div.	Ld. / Ltd.	Limited
C.I.F.	Cost, insurance, and freight	m/d	Months after date
c/o	Care of	N.B.	"Nota Bene"; take notice
Co.	Company		
C.O.D.	Cash on delivery	o/a	On account of
D/B	Day Book	%	per cent.
do.	ditto	P.C.B.	Petty Cash Book
Div.	Dividend	p. p. / p. pro.	per procuration
d/d	Days after date		
d/s	Days after sight	pro tem.	pro tempore; for the time
$	Dollars		
E.E.	Errors excepted	Prox.	Proximo, or next month
E. & O.E.	Errors and omissions excepted	S/B	Sales Book
		T/B	Trial Balance
ex	example; also, out of, as *ex* s.s. *Juno*	Ult.	Ultimo, or last month
		xd	ex div.
f.g.a.	foreign general average		
f.o.b.	Free on board		

BUSINESS TERMS.

Accountant. One skilled in keeping accounts; a professional book-keeper.

Ad valorem. According to value.

Advice. A written communication wherein one person informs another of something done, or about to be done, on his account.

Agio. The difference between the *actual* and the *nominal* value of the money of a country.*

Amortisation. The extinction or reduction of a debt by means of a sinking fund.

Ante-date. To date earlier than the real time.

Audit. To examine accounts by reference to vouchers and to testify as to their correctness.

Auditor. A person appointed to examine and verify accounts.

Auxiliary. A name applied to such books as are not posted from, but that are kept as aids to principal books.

Average. (1) A medium time for the payment, in one sum, of several sums due at different times. This is called "Equation of Payment." (2) In shipping, a term signifying adjustment of proportion of loss sustained by insurers.

General Average. The amount charged, *ad valorem*, on the owners of a ship or its cargo and freight, to cover the loss incurred when *part* of the cargo has been sacrificed, or other loss or expense has been incurred, *for the general safety of ship and cargo*. This risk is covered by an ordinary insurance policy.

Particular Average. Partial damage to ship or cargo resulting from the common perils of the sea and *not affecting the general safety*. Such loss is borne by the insurer or owner.

Free of Particular Average. When the policy of insurance contains this clause, the underwriters are not liable for particular average. If, however, the ship be "stranded, sunk, burnt, on fire, or in collision," a claim for particular average may be made, notwithstanding the clause. As a rule, this f.p.a. clause is used only when the goods are of such a nature as may be damaged by sea-water or great heat.

Balance. The difference between the sides of an account; the amount necessary to close an account.

Bank Rate. The rate per cent. charged by the Bank of England for discounting bills. This rate is fixed weekly, by the Directors, according to the condition of the "Money Market."

Bankrupt. One unable to pay debts in full; that is, where liabilities exceed assets and a receiving order has been made against the debtor in the Bankruptcy Court.

Barter. To exchange one commodity for another.

Bill of Entry. A written statement of goods entered at a custom house, whether imported or for exportation.

* *e.g.*, between paper and gold—or, as in our own silver coinage, between it and gold.

Bill of Lading. A written statement signed by the master or agents of a vessel, acknowledging the receipt of goods on board, and agreeing, under certain conditions, to deliver them safe to the person to whom they are directed. A sixpenny stamp is required, and such bills are transferable (like bills of exchange, or cheques) by endorsement.

Bill of Sale. An agreement, by which a person conveys his title to property. The transaction must be *bona fide*, and the bill duly registered.

Bonded Goods. Imported goods left in a bonded warehouse until the duties are paid. Such goods are said to be *in bond*.

Bonus. A premium on a loan, or for any favour shown. An extra dividend to shareholders, etc.

Book Debts. All amounts owing *to* or *by* a merchant, as shown in his books.

Broker. A person whose business it is to negotiate or make sales and purchases for a commission on behalf of other persons.

Brokerage. The commission payable to a broker for his services.

Carriage. The charge for conveying goods from one place to another, usually applied to goods sent by rail.

Cartage. Charges for hauling goods, usually to or from a depôt or from docks.

Charter-Party. A contract entered into between the owner and the hirer of a vessel, for a certain period, or voyage, at an agreed rate, together with other particulars. This contract requires a sixpenny stamp.

Cheque. An order upon a particular banker to pay a certain specified sum of money on demand to a person named, or to bearer. Each cheque bears a penny stamp, and cheque books are supplied by banks to those of their customers having running accounts, who are debited with the value of the stamps.

C.I.F. "Cost, insurance, and freight"; a price for goods which includes prime cost of goods, and insurance and freight charges of same to destination.

Commission. A charge made by a person who acts as an agent for another, usually a percentage.

Composition. A payment of something less than the full amount owing, made by a person who is insolvent or bankrupt, to settle the claim; the payment is usually at so much in the £.

Credit Note. A note sent to a person stating that such person is credited with the amount quoted; usually given when goods are returned, or as an immediate allowance off payment, at a future date. See "Debit Note."

Cum div. When Stocks or Shares are sold "*cum div.*" the buyer receives the dividend due or accruing. If, however, they are sold *ex div.* the present dividend remains with the seller.

Customs. Taxes charged by a Government upon goods imported from or exported to a foreign country. See "Bonded Goods."

Debit Note. A statement giving brief particulars of an amount charged to another person's account, and sent to him at the time the charge is made. See "Credit Note."

Debenture. A certificate for money advanced to a company. Debentures have a first charge after mortgages, if any, for both the principal and the interest due on them on the whole of the assets of the undertaking. Accordingly they rank before the Preference and Ordinary capital.

Demurrage. (1) The detention of a vessel beyond her specified time of sailing; (2) The compensation claimed or allowed for such delay; (3) A charge made by railway companies for detention of trucks, wagons, etc.; legal holidays and Sundays are not counted.

Depreciation. The falling off in the value of machinery, plant, buildings and other assets.

Deposit A/c. A sum of money placed in a bank on deposit and which bears a fixed rate of interest. It can be withdrawn only by giving an agreed number of days' notice.

Discount. An amount deducted from a sum owing or to be paid; an allowance for payment of money before due date. Also see "Par."

Dividend. (*a*) The portion allotted to each shareholder in the division of profits; (*b*) instalments paid by a bankrupt estate to the creditors.

Docket. To endorse letters or other documents with a summary of their contents.

Draft. An order drawn by one party on another for the payment of money to a third; a term usually applied to a bill before it is accepted. A sight draft is a draft payable at sight.

Drawback. The amount of money "drawn back" from the Government on goods sold to customers abroad upon exportation, and on which goods the *Customs or Excise Duty* had been previously paid. See "Customs," "Excise," and "Bonded Goods."

Drawee. The person on whom a bill or cheque is drawn.

Duty. Charges made by the Government on import goods or on home manufactures subject to such duty.

E.E., E. & O.E. Errors excepted; Errors and Omissions excepted. Often written on invoices and accounts so that if any errors or omissions be afterwards discovered, the invoice may be corrected.

Endorsee. The person to whom a bill, cheque or other document is transferred by endorsement. He can then deal with the document as if it had been actually made out to him in the first instance.

Exchange. (*a*) A place where business interests of a special character are brought together, such as the *Stock* Exchange, *Corn* Exchange, etc.; (*b*) a term applied to the method of remitting money from one country to another by means of bills instead of sending actual coin. The "*Par of Exchange*" is the equivalent of a given amount of the currency of one country which in *intrinsic* or *real value* is equal to a given sum in the currency of another country. The Rate or "*Course of Exchange*" is the sum of money in one country, which, on any particular day will exchange for any given sum, on the same day, in the currency of another country. The "Course of Exchange" will vary from day to day either above or below the "Par of Exchange."

Excise. An inland tax on certain articles produced and consumed in the country. See "Customs."

Ex div. See *Cum div.*

Extend. As applied to accounts, to extend is to write the figures in the money column. To "short-extend" is to enter the figures to the left of the money column.

Extension. An allowance of further time for the payment of a debt.

Failure. The suspension of payments by a firm that is unable to meet the demands made upon it.

Folio. The page of a book; two pages facing one another, as in a Cash Book.

Free on board (F.O.B.). A price charged or quoted for goods which includes all expenses for delivery of the goods on board the ship.

Freight. (*a*) Charges made for carrying goods by sea; (*b*) The cargo of a ship.

Goodwill. The established popularity or the reputation and influence of a person or firm doing business. The value that a business has over and above the stock-in-trade and the money invested in it.

Guarantee. A security for the performance of a contract; a security against loss.

IOU "I owe you." A written statement acknowledging a debt, and consisting of these three letters, the amount of the debt, the signature of the debtor and date. This document does not require a stamp, unless there is a promise to pay, in which case it becomes a promissory note.

Specimen :—

Bristol,
July 14th, 19...

Mr. J. Robbins,

IOU
Ten Pounds,
John Blank.

Insolvent. A term applied to a firm unable to pay its debts.

Insurance. A contract by which insurance offices agree to make good to the party insuring, losses he may sustain of ships or cargoes at sea, or of houses or goods by fire. The parties who take this risk are called the "insurers," or "underwriters"; the person protected is called the "insured"; the amount paid to the insurers is called the "premium"; and the written contract is called the "policy of insurance."

Interest. A charge made by the lender of money, on those who borrow; or on renewing a bill for a further period. Also the charge made upon a business by the partners in a firm for the use of capital invested by them in such business. Interest is usually charged at so much per cent. per annum.

Investment. The amount of money laid out in the purchase of shares, houses, land or other property, and on which a return is expected in the way of interest or profit.

Leakage. An allowance made to purchasers for probable loss or waste in liquids.

Letter of Credit. An order upon a banker to pay the bearer a sum or sums of money up to a certain total amount, this amount having

been previously paid to the banker by the firm granting the letter of credit; or the banker may draw upon the firm for the amount of their indebtedness.

Lien. A legal claim or hold on property as security for a debt or charge.

Limited Liability. A term meaning that the shareholders of a limited liability company are liable only for the uncalled amount on their shares in the event of the concern becoming bankrupt.

Liquidation. The realisation of the assets and the settling of the liabilities of a business or company.

Loan. Something lent; particularly a sum of money at interest.

Maturity. The date upon which bills become due.

Mortgage. A grant or deed of property to a creditor, as security for the payment of a debt.

Mortgagee. The person to whom the mortgage is given.

Mortgagor. The one who gives the mortgage.

Negotiable. Bills are negotiable when they may be transferred from one to another, and at the time a bill becomes due, the holder of it has the rightful claim to the money.

Net. The amount remaining after all deductions, allowances, or discounts have been made.

Net Cash. A term applied to a bill for goods, to be paid without any allowance or discount, and without reference to time.

Net proceeds. The amount remaining after all charges, expenses, and commission have been deducted.

Notary public. A public officer who attests or certifies deeds and other writings. His duties chiefly relate to documents used in commercial transactions, such as protests of Bills, Promissory Notes, etc.

Open account. An unsettled account.

Order. A request from one business firm to another to supply certain specified goods.

Outstanding Account. Ledger debts not yet collected or paid.

Overdraft. The amount of cash which a banker allows his customer to draw out of his banking account in excess of the total moneys paid in to that customer's credit.

Overdraw. To issue cheques for a greater amount than stands to one's credit in Bank.

Overdue. Remaining unpaid after the time specified.

Par. The nominal value of Stocks or Shares. When the price *rises*, they are said to be at a *premium* (*above* par). Should the price, however, fall *below* the face value, they are said to be at a *discount* (*below* par).

Partner. Each individual person in a firm who has an interest or investment in such business.

Partnership. When two or more persons unite to carry on a particular business for purposes of profit, such union is called a partnership.

Pass Book or Bank Book. A book supplied by banks to those of their customers who have current accounts with them, and which contains an account of the amounts paid into and withdrawn from the bank by those persons. It should be left at the bank at intervals to be written up to date.

Plant. All fixtures, tools, machinery, implements, or other requisites necessary to carry on a business.

Policy. See "Insurance."

Post-date. To date after the real time; that is, a date which has yet to arrive.

Posting. The term used when entries from the Journal or other books are transferred to the Ledger.

Premium. See "Insurance"; also "Par."

Prices Current. A regularly published list of the market prices of goods.

Principal. (*a*) The head of a firm. (*b*) The amount of money lent out at interest.

Protest. (1) The steps taken to charge an indorser with liability for the payment of dishonoured commercial paper; (2) A written declaration sworn to by the master of a vessel, setting forth the cause of, and circumstances attending, damage to the vessel or cargo.

Rebate. An amount deducted from the regular price; a discount or allowance.

Remittance. Commercial paper, or money, transmitted to another.

Render. To furnish an account.

Reserve Fund. The proportion of profits of a business set aside to meet future possible losses.

Retail. To sell in small quantities.

Salvage. (1) The compensation allowed to persons by whose voluntary exertions a vessel and her cargo are saved from danger or loss in case of wreck, capture, or marine misadventure. (2) That which is recovered from shipwreck, or fire; anything saved from destruction.

Schedule. An inventory or catalogue of goods, with prices.

Set-off. To put over against something as an equivalent or compensation. (Where two persons owe money to one another, the difference only, paid by the larger debtor to the other, will settle both claims.)

Sinking Fund. A fund provided in order to cover an eventual loss or claim.

Solvent. Having sufficient to pay all debts; having greater assets than liabilities.

Statement of Account. A periodical account showing the amounts due by one person or firm to another for goods supplied.

Statute of Limitations. A law assigning a certain time, after which rights cannot be enforced by law. An ordinary debt cannot be recovered in the absence of a special written agreement after a lapse of six years.

Stock. Raw material from which anything is made; goods in store and kept for sale; the capital represented by shares of a bank, or manufacturing or trading company or corporation held by individuals; a fund consisting of a capital debt due by Government to individual holders, who receive a rate of interest.

Stock-in-Trade. The quantity and value of goods and merchandise which a dealer or manufacturer has in store at any particular time.

Stock-taking. A periodical valuation of all stock-in-trade, necessary for profit and loss purposes in balancing the books and to enable a firm to ascertain their exact amount of capital.

Storage. Amount charged for keeping goods in a warehouse.

Suspense A/c. An account in which various items are entered temporarily till their true "heading" is ascertained.

Tale Quale. "According to sample"; and referring to grain and other produce, meaning that the cargo of a ship is held to be the same as the sample submitted, the buyer taking the risk of any damage that may be afterwards sustained by the cargo.

Tare. An allowance made to the purchaser by deducting from the gross weight the weight of the case, cask, bag, or chest in which the goods are packed.

Tariff. A schedule or table of customs payable on merchandise, specifying the various duties charged on goods imported and articles exported, the drawbacks and bounties, etc., allowed.

Trade discount. The difference between the wholesale and retail prices.

Trade price. The reduced price charged by wholesale to retail dealers so that the latter can make a profit on selling at the manufacturer's list price.

Underwriters. See "Insurance."

Usance. A certain period of time which it is the usage of different countries to allow for the payment of bills of exchange drawn upon them, exclusive of days of grace.

Voucher. Any material thing such as a writing that serves to attest an alleged act, especially that which serves to attest the payment of money; a receipt.

Warehouse. A storehouse for goods or merchandise, for temporary preservation.

Warehousing. Act of laying up goods in a warehouse.

Warehousing system. A regulation by which imported goods may be lodged in public warehouses, and not be chargeable with duties till they are taken out.

Warrant. A receipt, in full detail, for goods deposited in a warehouse. A warrant is transferable by endorsement, and must bear a threepenny stamp.

Wharfage. Fees for use of a wharf.

Wholesale. Buying or selling in large quantities.

Without recourse to me. (*Sans recours.*) Not liable as an endorser if written over the endorser's signature on the back of commercial paper.

Write back. To cancel. In renewing a bill, the old one must first be "written back" or cancelled, and a fresh one will then be issued, usually for a higher amount, the interest for an extension of time together with expenses incurred having been added to the original amount.

Write off. (*a*) To close a Ledger account by transferring the difference as a Loss either to Discount and Allowances Account, or to a Bad Debts (or similar) account. (*b*) To reduce the book value of materials.

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